



City of Sunnyvale California



***Comprehensive Annual Financial Report
For the Fiscal Year ended June 30, 2004***

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2004



City of Sunnyvale

650 West Olive Avenue

Sunnyvale, California 94086

(408) 730-7380

Prepared by the Department of Finance

Mary J. Bradley, Director of Finance



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City of SUNNYVALE

Department of Finance

650 West Olive Avenue
Sunnyvale, California 94086
408-730-7380

October 21, 2004

To the Honorable Mayor and Members of the City Council and Citizens of the City of Sunnyvale, California

We are pleased to submit the City of Sunnyvale's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Sunnyvale, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Department of Finance with any questions or comments concerning this report.

The City's financial statements have been audited by Caporicci & Larson, CPAs, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

This report is divided into three sections:

- The **Introductory Section** includes this letter of transmittal, an organizational overview of the City government and prior awards received.
- The **Financial Section** consists of the independent auditors' report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information) and a Supplementary Section containing the Combining and Individual Fund Financial Statements and Schedules.
- The **Statistical Section** includes a number of tables of unaudited data depicting the financial history of the City, demographics and other selected information about the City.

The Reporting Entity and Its Services

The City of Sunnyvale was incorporated December 24, 1912. The original Charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council. There are seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The City Manager and City Attorney are appointed by the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

The Reporting Entity and Its Services, Continued

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Redevelopment Agency, Sunnyvale Financing Authority and Community Facilities District No.1 because the City Council has financial accountability for all. There are no other governmental units over which the City Council has financial accountability.

The City provides the full range of municipal services contemplated by its Charter. These include police and fire protection, library services, construction and maintenance of streets, parks, storm drains and other infrastructure, recreational programs and community development activities. The City also operates Water, Wastewater, and Solid Waste municipal utilities. The City Council sits as the Board of the Sunnyvale Redevelopment Agency.

The City utilizes various Boards and Commissions in the conduct of its affairs. A Directory of Boards and Commissions is provided within this report. Boards and Commissions required by the City Charter are:

- Board of Library Trustees
- Heritage Preservation Commission
- Parks and Recreation Commission
- Personnel Board
- Planning Commission

All other boards and commissions were established by the authority of the City Council. These are the:

- Advisory Council to the Council on Aging
- Arts Commission
- Bicycle and Pedestrian Advisory Committee
- Board of Building Code Appeals
- Child Care Advisory Board
- Housing and Human Services Commission

Although certain Boards and Commissions have specific powers granted by the City Charter, for the most part all act in an advisory capacity to the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Budgetary System and Budgetary Control

City of Sunnyvale's approach to budget preparation is a central part of the City's Planning and Management System (PAMS). Key elements of the PAMS framework include:

- Long-range strategic planning (General Plan Elements and Sub-Elements),
- Long-term financial planning (Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (two-year action budget),
- Outcome measurement of service delivery,
- The Council Study Issues process,
- Performance "contracts" for Management,
- Annual performance reporting and evaluation, and
- Performance audits based on risk assessments.

This integrated framework has enabled the City, over time, to accomplish the long-range strategic goals established by Council in the General Plan Elements and Sub-Elements. PAMS has assisted the City in maintaining, and even expanding, services during times of numerous Federal/State mandates and revenue restrictions or reductions. PAMS has also served as a valuable tool in producing and capturing remarkable gains in efficiency and productivity.

The Fiscal Sub-Element of the General Plan requires that the City Manager annually propose a budget that is balanced not only for the budget year, but also for the Ten-Year Resource Allocation Plan. Since fiscal year 1993-94, Council has approved a financial plan that has been balanced to the twentieth year. The long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions. Because City practice has been to prepare a fully balanced 20-year financial plan, it effectively requires that decisions made today guarantee that the resources will be available to provide quality services in the future. The Ten-Year Resource Allocation Plan prevents wild swings in service levels during the upturns and downturns of economic cycles.

The City of Sunnyvale's operating and capital budgets are on alternating two-year cycles. Fiscal year 2004 was the second year of the operating budget cycle and the first year of the capital budget cycle.

For fiscal year 2004, budgetary control was set at the department and fund level. On an exception basis, control is at the program level when adjustments are above the specified appropriation threshold.

Additionally, the City Council has adopted for its financial guidance a wide-range of fiscal policies, which are contained in the fiscal sub-element of the General Plan. The policies address the areas of revenues, capital improvements, debt, resource allocation, performance budgeting, accounting, reserves, and purchasing.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

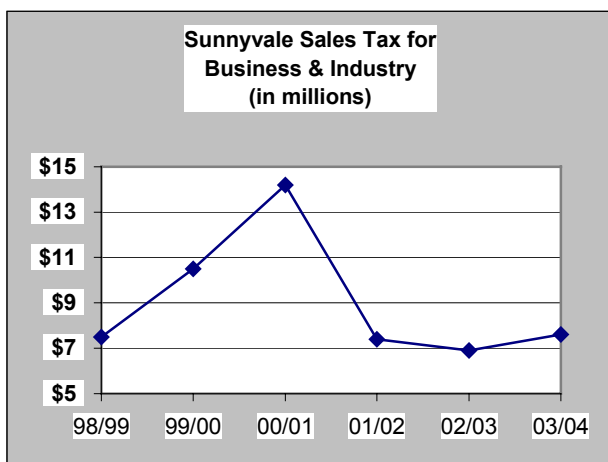
Current Economic Conditions and Outlook

Just four years ago, the nation was in the longest economic expansion in U.S. history. The Silicon Valley was booming and the City's finances were buoyed by significant increases in General Fund revenues. Since that time a number of events have occurred nationally and locally that have dramatically altered our financial position.

On a national basis, the U.S. economy decelerated sharply beginning in late 2000 after experiencing nearly ten years of sustained economic growth. Gross domestic product ("GDP") growth slowed from over 5% in the first half of 2000 to 1.4% by the fourth quarter of the year. After September 11th the downturn intensified. Especially significant for the City and Silicon Valley was the dot.com bust and resulting spillover effects of reduced business expenditure on computer hardware and software. This condition continues to persist in 2004, though cautious optimism for a sustained, albeit slow, recovery has emerged in Silicon Valley.

Since the economic downturn began, the Silicon Valley has lost approximately 200,000 jobs. To better put this into perspective, one noted California economist has said that if measured in terms of job loss, what we are experiencing here is on par with losses suffered during the Great Depression. After falling to record lows of around 1.3% in 2000, unemployment in Silicon Valley now stands at 5.4%, down from 7.5% from the prior year. Due to the tech-heavy concentration in our region and the resulting permanent loss of jobs, unemployment will likely remain higher here than the rest of the country for the near future, further slowing the pace of an economic turnaround.

Effect on Sunnyvale Revenues



One result for City has been a decline in General Fund revenues, fueled by sharp drops in Sales Tax and Transient Occupancy Tax ("TOT") receipts. By the end of fiscal year 2002 Sales Tax and TOT revenues dropped by 30% and 40% respectively from the records highs of fiscal year 2001. Initially, revenue projections for these and other revenue sources anticipated a leveling out in fiscal year 2003, but it now appears that the economy may have bottomed out in the second half of fiscal year 2004. For example, TOT revenues were nearly 7% lower than prior year, while Sales Tax revenues were 3% higher than prior year.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Current Economic Conditions and Outlook, Continued

Projected Pace of Recovery

The basis for a projected pace of recovery begins with the premise that the intensity of the Silicon Valley technology boom in 2000 was in all likelihood an anomaly that may not ever be repeated. As the previous graph on Business and Industry Sales Tax revenues illustrates, City's Sales Tax in the Business and Industry sector spiked by nearly 90% from fiscal year 1999 to fiscal year 2001, before sharply returning to early 1998 levels in fiscal year 2002. This sector sustained further losses in fiscal year 2003, with actual revenues dropping below \$7 million for the first time since fiscal year 1991. Not coincidentally, this sharp spike parallels the huge increase and subsequent drop in State General Fund revenues that was largely fueled by capital gains and stock options.

The one consistent theme from economists is that a recovery here and across the nation will be modest and slow. Unemployment in the region remains higher here than other areas in the State and across the country, but there are positive signs in the form of gains in earnings reports and local stocks, significant increases in sales from select technology companies, decreasing availability of office space for lease, and a continued strong housing market. Due to the tech-heavy emphasis in our region and the resulting losses in jobs, productivity and sales, the recovery here is lagging the State and the rest of the country. While many other areas in California are experiencing growth in Sales Tax and other revenues, Silicon Valley is just beginning to see a modest upturn.

If positive signs for continued economic recovery exist in Silicon Valley, they are somewhat tempered by the jobs growth picture. While recent reports suggest that the nation is adding an average of approximately 200,000 new jobs monthly, this rate will not be duplicated in our region for the foreseeable future. The high concentration of tech-related job losses, coupled with such trends as the off-shoring of high tech jobs, has produced structural rather than cyclical unemployment. With cyclical unemployment, job loss is mainly due to drop in demand. As economic recovery occurs, job growth tends to be steep. Conversely, structural unemployment occurs when an industry changes fundamentally as a result of more permanent or pervasive drops in demand, improvements in technology or the movement of production overseas. The manufacturing sector in the Silicon Valley has experienced this type of unemployment. On the positive side, many economists believe that job loss in the Bay Area has stabilized and that modest job growth will occur over the next two years. On the negative side, it is believed that little job growth will occur in Santa Clara County, which sustained approximately 50% of the job loss in the entire Bay Area due to the tech-heavy concentration in the region.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Current Economic Conditions and Outlook, Continued

State Budget Situation

Less than four years ago, the State government was anticipating a budget surplus of up to \$13 billion. In a stunning reversal of fortune, the State's budget deficit was projected to be a staggering \$35 billion deficit by the end of fiscal year 2004. This leads to the question: Where did all the money from the good times go? There are three main answers to this. First, State revenues sharply declined, largely due to decreases in personal income tax from capital gains and stock options. Second, as State revenues were growing throughout the 1990s, so were expenditures. From fiscal year 1994 to fiscal year 2001, State spending more than doubled, from \$39 billion to \$79 billion. The third reason lies in unplanned expenses, chiefly the fact that the State did not anticipate well, or recover well, from costs related to the energy crisis of 2000. The result of these converging factors is that the State has a significant ongoing structural deficit that will not disappear without corrective action. The State Legislative Analyst is currently estimating that the State's budget deficit for fiscal year 2006 will be \$10 billion, with an ongoing structure deficit absent corrective action to reduce spending or increase revenues.

In October 2003, the State's voters recalled Democratic Governor Gray Davis in favor of moderate Republican Arnold Schwarzenegger. This historical event marked the first time in California history that a sitting Governor was recalled (and only the second time in US history).

One of the first actions by newly elected Governor Schwarzenegger was to repeal the Vehicle License Fee (VLF) increase invoked by the previous administration. The VLF is a constitutionally guaranteed local revenue source, a major portion of which is "back-filled" to cities after it was legislatively reduced in the 1990s. Elimination of the backfill would mean an annual revenue loss of nearly \$6 million to the City. The VLF was originally reduced by the Legislature with the proviso that if the State could no longer afford the backfill, then a "trigger" would be pulled to restore the VLF to previous levels. After legal review in late 2002, the Democratic administration concluded that the State's Finance Director could "pull the trigger" without invoking the voter approval requirements of Proposition 218. The trigger was then pulled at the end of fiscal year 2003. Due to lag time associated with implementing the statewide increase in VLF, a "backfill gap" was created whereby local governments lost approximately 100 days of VLF backfill revenue (which the State promised to repay in 2006). For the City, this translated into an approximate \$2.4 million loss in fiscal year 2004. The repeal of the VLF increase immediately put \$6 million in the City's General Fund revenues at risk, but Governor Schwarzenegger vowed to make cities whole for the loss and restored the backfill process in December.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Current Economic Conditions and Outlook, Continued

While local officials greeted the Governor's December promise to backfill VLF revenues to cities with relief, such solace was quickly dispelled with the unveiling in January of the recommended fiscal year 2005 State budget. The proposed budget included permanent cuts to local governments, mainly through a new property tax shift similar to the Educational Revenue Augmentation Fund ("ERAF") shift implemented during the 1990s. In addition, further cuts were proposed to supplemental law enforcement and transportation funding, property tax associated with redevelopment agencies, public library grants, and continued deferral of State mandate reimbursements. The revenue loss to the City of this budget proposal was estimated to be nearly \$3 million annually to the General and Redevelopment funds.

In March 2004, California voters approved the Governor-sponsored Propositions 57 and 58. Proposition 57 authorized up to \$15 billion in deficit reduction bonds. To date, \$11.3 billion of these bonds have been sold. In addition to the bond issue, passage of the propositions also amended the State Constitution to 1) require annual budget adoption by the Legislature, 2) give additional mid-year budget adjustment powers to the Governor, 3) establish minimum and specific reserve requirements, and 4) place restrictions on future deficit-related borrowing. The bond issue involves a complicated, three-step local Sales Tax for Property Tax swap called the "Triple Flip." In brief, the triple flip diverts ¼ cent local Sales Tax to fund the repayment on the bonds. In return, local governments will receive an equal amount of Property Tax to cover the Sales Tax loss. Though the tax swap is supposed to be cost-neutral to local governments, cities will experience cash flow problems because Sales Tax is apportioned monthly while the majority of Property Tax is apportioned bi-annually. Local governments will also lose some interest earnings on the diverted Sales Tax. Perhaps more ominous for cities, the Sales Tax diversion marks the first time the State has moved to take this most important local revenue source (and a major locally-controlled revenue source that has heretofore been "off-limits" to State lawmakers).

As the State sought once again to balance its budget with local revenues for fiscal year 2005, the League of California Cities, California State Association of Counties, California Redevelopment Association and California Special District Association formed a coalition (the "LOCAL Coalition") to place a ballot initiative on the November 2004 ballot that would amend the Constitution to permanently protect local revenues. Following extensive budget discussions between the LOCAL coalition and the Governor, a budget deal was concluded whereby the Governor pledged his full support to secure passage of an alternative ballot initiative (Proposition 1A) in exchange for two years of funding cuts totaling \$2.6 billion to cities, counties, special districts and redevelopment agencies. This alternative is in place of the permanent reductions contained in the Governor's January 2004 proposed budget. Additionally, the new proposition guaranteed repayment in 2006 of the VLF monies taken during fiscal year 2004. Proposition 1A was passed by an overwhelming 84% of the State voters in the November 2004 elections.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Current Economic Conditions and Outlook, Continued

For the City of Sunnyvale, this will mean the loss of approximately \$4.1 million to the General Fund and \$528,000 to the Redevelopment Agency over the next two fiscal years, with \$2.4 million in VLF "loan" monies repaid in fiscal year 2006. These funds have been anticipated in the City's 20-Year Resource Allocation Plan

Cash Management

The City invests all idle funds daily. In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments including U.S. Treasury bills, notes and bonds, U.S. Government agency issues, the State Local Agency Investment Fund, banker's acceptances, certificates of deposits, repurchase agreements, corporate medium-term notes, mortgage pass-through securities and asset-backed securities, and money market mutual funds. A City investment and cash management policy is adopted annually by the City Council.

Investment income includes appreciation or depreciation in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2004, the adjustment for changes in fair value of investments was unrealized losses of \$8.5 million. Actual interest earnings from investments during the year were \$10.0 million.

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established self-insured programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$25,000,000 in general liability coverage, subject to a \$500,000 self-insured retention (SIR) through the California Joint Powers Risk Management Authority (CJPRMA), a risk sharing pool. The City has statutory limits coverage for workers' compensation claims and \$1,000,000 for employer's liability claims, subject to a \$275,000 SIR, through Discover Property & Casualty Insurance Company. Unemployment claims paid by the City are reimbursed dollar-for-dollar by the State.

All premiums and deductible payments related to general liability and workers' compensation claims are recorded in the Employee Benefits Fund which is classified as an Internal Service Fund.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2004

Pension and Postemployment Benefits

All permanent employees of the City are required to participate in the California Public Employees' Retirement System (PERS) per the City Charter. PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50.

The City also provides medical health care benefits for retirees who elect the option under a third-party insurance plan. The medical coverage and City contribution remain the same as at the time of retirement. Employees who have worked with an agency participating in PERS a minimum of five years are eligible.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its comprehensive annual financial report for the year ended June 30, 2003. This was the eighteenth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

In addition, the City received the California Society of Municipal Finance Officers (CSMFO) Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003.

We believe that our current comprehensive annual financial report continues to meet the Certificate program requirements. This report will be submitted to GFOA and CSMFO to determine its eligibility for another certificate.

The City of Sunnyvale also received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2004. This was the fifteenth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. In addition to qualifying for the award this year, our budget received the special recognition "outstanding as a policy document", which is the highest rating that can be received in that category.

***Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2004***

Awards and Acknowledgements, Continued


For the past six fiscal years, the City's investment policy has received certification by the Association of Public Treasurers (Association), formerly called the Municipal Treasurer's Association of the United States and Canada. The Association provides professional guidance and assistance in improving investment policies in the public sector. At least three experts in the field review the investment policies and those jurisdictions that comply with Association's criteria are presented with the Association's Written Investment Policy Certification.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular I would like to express my appreciation to the following members of the Accounting Division who contributed to the development of this report: Jamie Oei, Senior Accountant, Victoria Hernandez and Luis Cuellar, Accountants, Rebecca Vanderstelt, Senior Accounting Technician, and Toni Tognetti, IT Coordinator.

I also wish to thank our auditors, Caporicci & Larson, CPAs, for their cooperation and assistance.

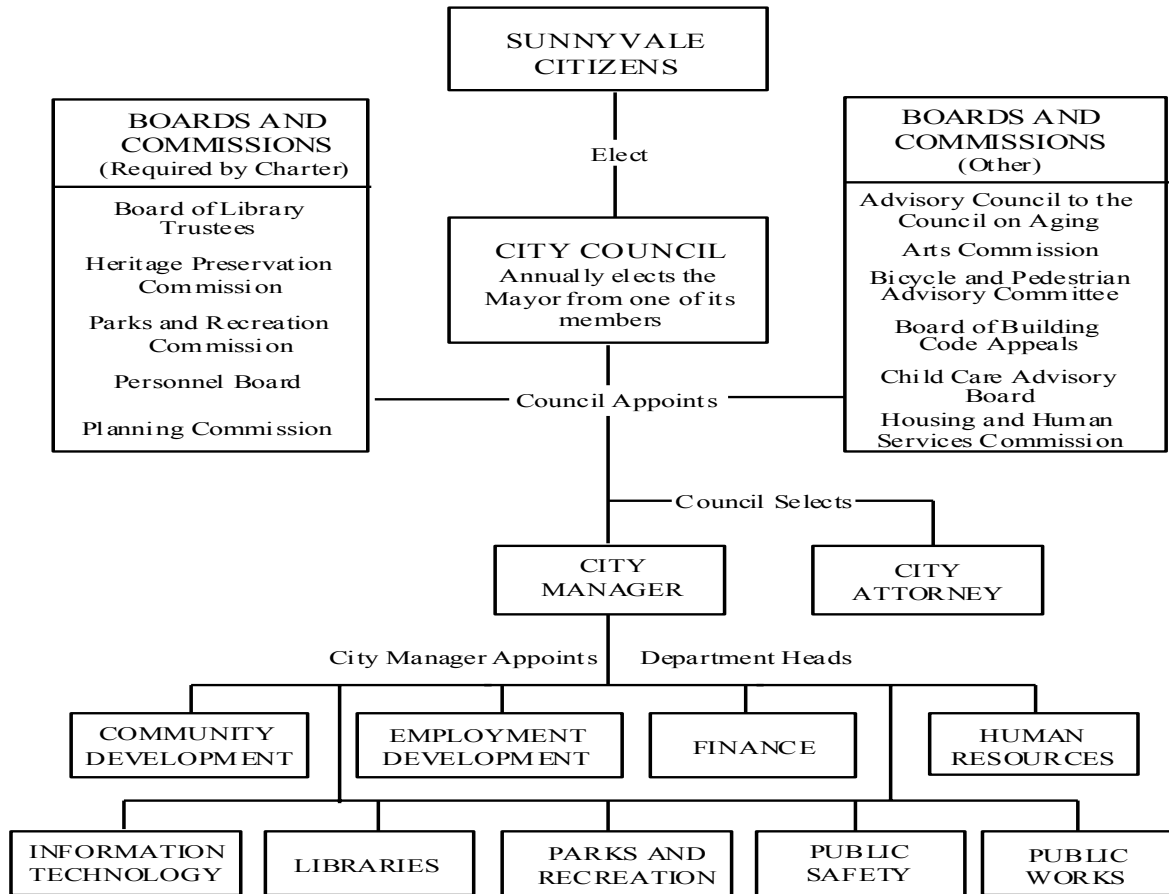
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mary J. Bradley
Director of Finance

Directory of Officials
Fiscal Year Ended June 30, 2004



Directory of Officials
Fiscal Year Ended June 30, 2004

John Howe
Mayor

Dean Chu
Vice-Mayor

Otto Lee
Councilmember

Frederik Fowler
Councilmember

Ron Swegles
Councilmember

Julia Miller
Councilmember

Melinda Hamilton
Councilmember

Amy Chan
City Manager

Irwin Bakin
Director of Public Safety

Victoria Johnson
Director of Libraries

Mary J. Bradley
Director of Finance

Robert Paternoster
Director of Community Development

Mike Curran
Director of Employment Development

Marvin Rose
Director of Public Works

Mark Gregersen
Director of Human Resources

Charles Schwabe
Deputy City Manager

Shawn Hernandez
Director of Information Technology

Robert Walker
Director of Parks and Recreation

Valerie J. Armento
City Attorney

Directory of Officials**Fiscal Year Ended June 30, 2004**

Advisory Council to the Council on Aging

McDonough, Nancy

Arts Commission

Buchs, Susan

Carney, Dixie

Draganowski Davis, Monica

Harper, Wallace

Obrey, Robert

Bicycle and Pedestrian Advisory Committee

Cotton, Cynthia

Durham, Ralph

Gras, Gerald

Jackson, Kevin

Mayer, Thomas

Runion, Virginia

Board of Building Code Appeals

Faravelli, Ted

Ghaffary, Darab

Pal, Nick

Board of Library Trustees

Anderson, Pam

Flaherty, Thomas

Griffith, James

Meagher, Kathleen

Wanigatunga, Roland

Child Care Advisory Board

Carmack, Angela

Gutierrez, Emily

Jevons, Carole

Ozdemir, Hilal

Sell, Jacqueline

Shea, Maxine

Vacant

Heritage Preservation Commission

Davis, Lisa

Hopkins, Dawn

Kausek, Rose

Love, Neil

McQueen, Brian

Steward, Elizabeth

Housing and Human Services Commission

Callan, James

Joshi, M Pradeep

Pathak, Narendra

Persyn, Timothy

Rowan, Elaine

Seshadri, Jana

Smith, Nancy

Steward, Chad

Tenneti, Prabhakar

Parks and Recreation Commission

Arnett, Jeffrey

Chuck, Howard

Lawson, Robert

Locke, Robert

Pole, Raymond L.

Personnel Board

Agabah, Frank

Bushmann, Karen

Gans, Werner

Ketznel, Mark

Reguerin, Ericka

Planning Commission

Babcock, Laura

Fussell, James

Hungerford, Charles

Klein, Larry

Moylan, Christopher

Simons, David

Sulser, Brandon

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunnyvale,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Enen

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Sunnyvale

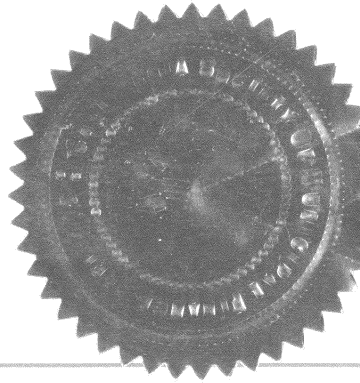
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

Bret M. Lunde

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management





Financial Section

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statements of the Governmental Accounting Standards Board No. 39, *Determining Whether Certain Organizations are Component Units*; No. 40, *Deposit and Investment Risk Disclosures*; and, No. 41, *Budgetary Comparison Schedules – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

3184-D Airway Avenue
Costa Mesa, California 92626

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

600 "B" Street, Suite 1900
San Diego, California 92101

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
October 21, 2004

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004***

This portion of the City of Sunnyvale's annual financial report presents management's discussion and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2004. The information presented here should be considered in conjunction with additional information we presented in our transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

This is the third year the City has prepared its annual financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. As we fine-tune the implementation of those reporting requirements, we have made some reclassifications between the line items in the originally presented fiscal year 2003 information so that the comparative analysis will be more meaningful. These reclassifications did not change net assets reported in that year. In the condensed comparative statements, fiscal year 2003 numbers have been restated to reflect prior period adjustments as explained in the Notes to the Basic Financial Statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2004, the City's net assets (excess of assets over liabilities) were \$633.3 million. Of this amount, \$144.4 million may be used to meet the City's ongoing operations.
- During the fiscal year the City's total net assets decreased by \$10.5 million. \$5.5 million of this decrease was in governmental activities primarily due to the decline in capital grants and contributions and general revenues. The remaining \$5.0 million was in business-type activities due to increased operating costs, decline in capital grants and contributions and investment earnings, and interest payments on bonded debt and on advances from the General Fund.
- During the fiscal year, the City's expenses for governmental activities exceeded total taxes collected of \$75.0 million, by \$16.4 million. This amount is worse than last year when expenses exceeded tax revenues by only \$5 million. This decrease was primarily due to the sharp economic downturn experienced in the Silicon Valley in the past three years
- The City's total liabilities decreased by \$5.2 million during the current fiscal year. The decrease was due to the reduction in estimated general and workers compensation liability in the governmental activities and principal repayments of bonded debt in both governmental and business-type activities.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sunnyvale's basic financial statements. The City's basic financial statements consist of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the following: the Redevelopment Agency of the City of Sunnyvale (Agency), the Sunnyvale Financing Authority (Authority), and the Community Facilities District No. 1 (CFD 1). These component units are, for practical purposes, departments or programs of the City and have been included in the basic financial statements as an integral part of the primary government using the blended method.

Government-Wide Financial Statements

The Government-Wide Financial Statements consist of a Statement of Net Assets and the Statement of Activities and Changes in Net Assets. These statements are designed to present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for items that may only result in cash flows in future fiscal periods.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City's activities as follows:

Governmental Activities—Most of the City's basic services are reported in this category, including Planning and Management, Public Safety, Community Development, Environmental Management, Socioeconomic, Cultural, and Transportation. Property, sales taxes and other taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements, Continued

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Water System, Wastewater System, Solid Waste System, SMaRT Station[®], and Community Recreation activities are reported as business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sunnyvale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are established as required by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The Fund Financial Statements report the City's operations in more detail than the Government-Wide Financial Statements by providing detailed information about the City's most significant funds (called "Major Funds.")

The Fund Financial Statements include statements for each of the three categories of activities. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds which only report assets and liabilities and do not have a measurement focus.

Governmental Funds—Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to facilitate this comparison.

The City maintains 24 individual governmental funds. Information is presented separately in the Governmental Fund Financial Statements for the following major governmental funds: General Fund, Employment Development Special Revenue Fund, Redevelopment Agency Debt Service Fund, and City Capital Projects Fund. All other funds are shown in the aggregate as other nonmajor funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

Proprietary Funds—The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Water, Wastewater, Solid Waste, SMaRT Station, and Community Recreation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented as major funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds—The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes follow the basic financial statements.

Required to Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information. This information includes budgetary comparison schedules, more detailed information regarding the Modified Approach used for reporting the City's infrastructure capital assets, and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Combining statements for the nonmajor governmental funds and the Internal Service Funds are presented immediately following the Required Supplementary Information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets may serve overtime as a good indicator of the City's financial position. At the close of fiscal year 2004, assets exceeded liabilities by \$633.3 million. This is a decrease of \$10.5 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2004 and 2003.

City of Sunnyvale Condensed Comparative Statements of Net Assets June 30, 2004 and 2003 (Amounts in Millions)							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2004	2003	2004	2003	2004	2003	
Assets:							
Current Assets	\$ 204.8	\$ 220.0	\$ 47.6	\$ 49.8	\$ 252.4	\$ 269.8	(6.4)%
Other Assets	46.6	43.9	(39.4)	(36.7)	7.2	7.2	0.0 %
Capital Assets, Net	407.7	402.9	98.8	101.8	506.5	504.7	0.4 %
Total Assets	<u>659.1</u>	<u>666.8</u>	<u>107.0</u>	<u>114.9</u>	<u>766.1</u>	<u>781.7</u>	<u>(2.0)%</u>
Liabilities:							
Current Liabilities	22.9	23.5	8.4	8.9	31.2	32.4	(3.7)%
Other Liabilities	9.5	10.1	4.1	4.2	13.6	14.3	(4.9)%
Long-term Liabilities	41.3	42.3	46.7	49.0	88.0	91.3	(3.6)%
Total Liabilities	<u>73.7</u>	<u>75.9</u>	<u>59.2</u>	<u>62.0</u>	<u>132.8</u>	<u>138.0</u>	<u>(3.8)%</u>
Net Assets:							
Invested in Capital Assets, Net of Related Debt	361.5	348.4	49.8	50.6	411.3	399.0	3.1 %
Restricted	62.3	72.4	15.3	17.4	77.6	89.8	(13.6)%
Unrestricted	161.6	170.1	(17.2)	(15.1)	144.4	155.0	(6.8)%
Total Net Assets	<u>\$ 585.4</u>	<u>\$ 590.9</u>	<u>\$ 47.9</u>	<u>\$ 52.9</u>	<u>\$ 633.3</u>	<u>\$ 643.8</u>	<u>(1.6)%</u>

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

At June 30, 2004, the largest portion of net assets (65%) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. This amount increased this year by \$12.3 million because of routine acquisition of capital assets and repayment of related debt. The City uses these capital assets to provide services to citizens. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. This amount decreased by \$12.2 million primarily due to spending on two major capital projects in the governmental and business-type activities.

The remaining balance of unrestricted net assets (23%) may be used to finance day-to-day-operations without constraints established by debt covenants or other legal requirements. The decrease in the City's unrestricted assets of \$10.6 million was primarily due to decline in revenues.

Current assets in the governmental activities decreased by \$15.2 million, due primarily to a reduction in cash and investments. This reduction was a result of a decrease in fund balance as expenditures exceeded revenues during the year.

Other assets in the business-type activities show a negative balance because they represent long-term internal balances. These balances are amounts due from the business-type activities (Wastewater Management and Solid Waste Management Funds) to the governmental activities (General Fund) that are designed to be repaid over a longer period of time from the proceeds of rates charged to utility customers.

Total liabilities decreased by \$5.2 million or 3.8% from the prior fiscal year. Accounts Payable, Claims and Judgments Payable and Long-Term Debt decreased, while Wages Payable and Refundable Deposits increased between fiscal years 2003 and 2004.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The City's net assets decreased by \$10.5 million (1.6%) during the fiscal year. The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2004 and 2003.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2004 and 2003
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total %
	2004	2003	2004	2003	2004	2003	Change
Revenues:							
Program Revenues:							
Charges for Services	\$ 13.6	\$ 11.0	\$ 88.0	\$ 88.6	\$ 101.6	\$ 99.6	2.0 %
Operating Grants and Contributions	17.7	20.5	-	-	17.7	20.5	(13.7)%
Capital Grants and Contributions	5.2	9.6	0.3	1.4	5.5	11.0	(50.0)%
Total Program Revenues	36.5	41.1	88.3	90.0	124.8	131.1	(4.8)%
General Revenues:							
Property Taxes	27.6	26.9	-	-	27.6	26.9	2.6 %
Sales and Other Taxes	47.4	51.5	-	-	47.4	51.5	(8.0)%
Investment Income	3.8	13.7	0.4	1.7	4.2	15.4	(72.7)%
Other	0.8	1.2	-	-	0.8	1.2	100.0 %
Total General Revenues	79.6	93.3	0.4	1.7	80.0	95.0	(15.8)%
Total Revenues	116.1	134.4	88.7	91.7	204.8	226.1	(9.4)%
Expenses							
Planning and Management	14.0	15.0	-	-	14.0	15.0	(6.7)%
Public Safety	55.4	54.0	-	-	55.4	54.0	2.6 %
Community Development	18.8	21.1	-	-	18.8	21.1	(10.9)%
Transportation	13.5	11.8	-	-	13.5	11.8	14.4 %
Socioeconomic	13.9	14.8	-	-	13.9	14.8	(6.1)%
Cultural	8.4	8.8	-	-	8.4	8.8	(4.5)%
Environmental Management	2.3	1.7	-	-	2.3	1.7	35.3 %
Water Supply and Distribution	-	-	17.2	16.1	17.2	16.1	6.8 %
Wastewater Management	-	-	15.0	15.0	15.0	15.0	-
Solid Waste Management	-	-	27.6	26.6	27.6	26.6	3.8 %
SMaRT Station	-	-	18.3	18.4	18.3	18.4	(0.5)%
Community Recreation	-	-	9.4	9.5	9.4	9.5	(1.1)%
Total Expenses	126.3	127.2	87.5	85.6	213.8	212.8	0.5 %
Increase in Net Assets before Transfers and Interest on Long-term Debt	(10.2)	7.2	1.2	6.1	(9.0)	13.3	(167.7)%
Interest on Long-term Debt	(1.5)	(1.8)	-	-	(1.5)	(1.8)	(16.7)%
Transfers	6.2	5.8	(6.2)	(5.8)	-	-	-
Increase (Decrease) in Net Assets	(5.5)	11.2	(5.0)	0.3	(10.5)	11.5	(191.3)%
Net Assets - Beginning	590.9	579.7	52.9	52.6	643.8	632.3	1.8 %
Net Assets - Ending	\$ 585.4	\$ 590.9	\$ 47.9	\$ 52.9	\$ 633.3	\$ 643.8	(1.6)%

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities:

The City's governmental activities decreased net assets by \$5.5 million. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues decreased by \$18.3 million from last fiscal year.
- Property Tax revenues increased slightly by \$0.7 million or 2.6% in fiscal year 2004.
- Sales and Other Tax revenues decreased by \$4.1 million or 7.8% lower in fiscal year 2004 compared to fiscal year 2003 as shown in the following table (amount in millions):

	<u>Total Sales and Other Tax Revenues</u>		<u>Total % Change</u>
	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Sales and Use	\$ 23.5	\$ 25.8	(8.9)%
Transient Occupancy	4.8	5.1	(6.7)%
Utility Users	5.9	5.7	4.0 %
Motor Vehicle License Fees	6.0	7.9	(24.7)%
Construction & Real Property Transfer	1.6	1.3	29.7 %
Franchise Fees	5.5	5.2	5.6 %
Other Taxes	0.2	0.6	(56.6)%
Total	<u>\$ 47.4</u>	<u>\$ 51.5</u>	<u>(7.8)%</u>

Sales Tax and Transient Occupancy Tax decreased since both revenue sources are highly dependent on business related activity in the City and have been heavily impacted by the continuing economic downturn. Motor Vehicle License Fees decreased due to a reduction by the State. Other Taxes decreased due to decline in business license tax and special assessment fees. Construction Tax and Real Property Transfer Tax increased due to high level of residential housing activity in the City. Utility Users Tax and Franchise Fees increased slightly.

- Capital Grants and Contributions decreased by 46% mostly due to the completion of City capital projects with grant reimbursements for these projects received in fiscal year 2003.
- Investment income, which is a combination of interest earnings and change in fair value of investments, decreased by \$9.9 million or 72.3% from last fiscal year.

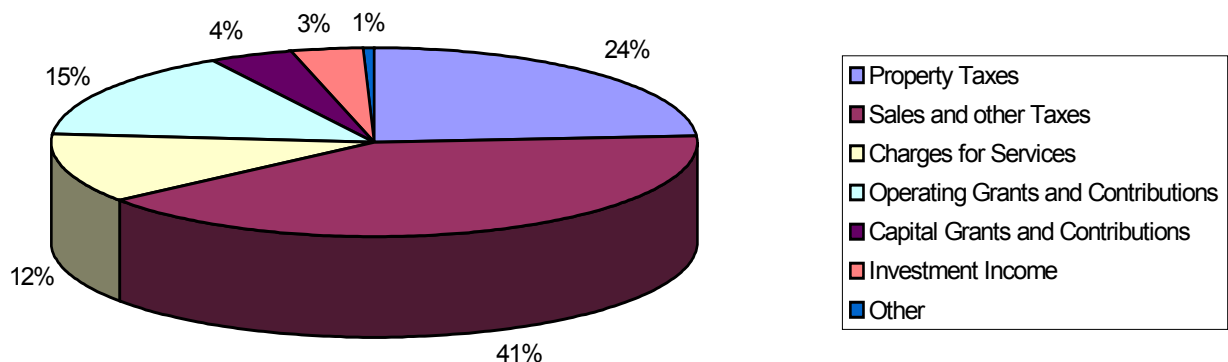
Governmental activities' share of interest earnings from the City's portfolio was \$8.9 million. This is \$1.6 million lower than fiscal year 2003 since there were less funds to invest due to the economic downturn. Investment income also includes \$2.6 million of interest earned from long-term advances to business-type activities and other third-party loans. This amount remained the same compared to last fiscal year. GASB Statement No 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools," requires that investments be stated at fair value at the end of the fiscal year. A significant portion of the City's investment portfolio is in high-quality debt securities, quite sensitive to changes in interest rates. The rising interest rates by the end of the fiscal year 2004 resulted in a net decrease of \$7.6 million in the fair value of investments, approximately 3.7% of the portfolio. The changes in fair value of investments do not represent actual gains or losses since the City's policy is to buy and hold investments until their maturity dates.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

**Governmental Activities
Revenues by Source
June 30, 2004**



Expense Highlights:

Total expenses for governmental activities were \$126.3 million (not including interest on long-term debt of \$1.5 million). This was lower than last year by \$0.9 million. The City increased spending on public safety, transportation, and environmental management by \$3.7 million while spending on planning and management, community development, socioeconomic and cultural activities decreased by \$4.6 million. Because of the continued economic downturn in the region and the prospect of potential future layoffs, the City held many open positions vacant during the course of the year. This resulted in the savings discussed above.

Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$13.6 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$17.7 million.
- A total of \$5.2 million in capital projects was funded by outside agencies through capital grants and contributions.

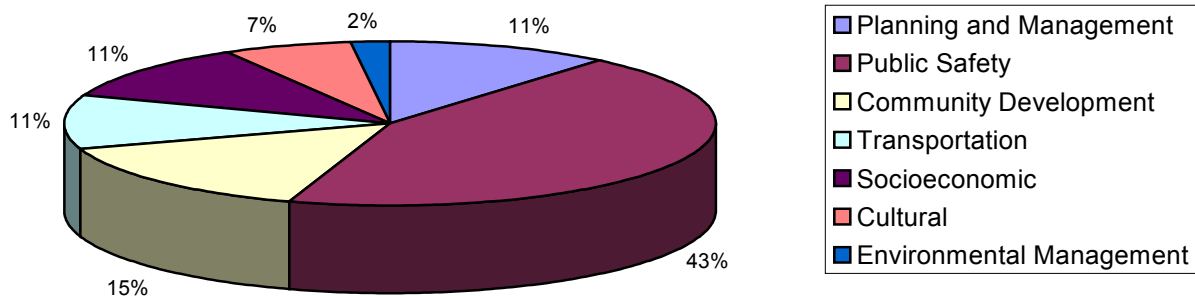
General revenues and Transfers of \$85.8 million were not sufficient to fund total net expenses of \$91.4 million. Unrestricted net assets of \$5.5 million, accumulated in prior years, were used to fund these expenses.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Governmental Activities
Expenses by Function/Program
June 30, 2004



Functional expenses for the years ended June 30, 2004 and 2003 were as follows (amount in millions):

	Total Cost of Services			Net Cost of Services		
	2004	2003	Percentage Change 2003-2004	2004	2003	Percentage Change 2003-2004
Planning and Management	\$ 14.0	\$ 15.0	(6.7)%	\$ 13.8	\$ 14.8	(6.8)%
Public Safety	55.4	54.0	2.6 %	51.4	50.2	2.4 %
Community Development	18.8	21.1	(10.9)%	7.1	11.8	(39.8)%
Transportation	13.5	11.8	14.4 %	6.6	(0.8)	925.0 %
Socioeconomic	13.9	14.8	(6.1)%	1.2	0.8	50.0 %
Cultural	8.4	8.8	(4.5)%	7.7	7.7	-
Environmental Management	2.3	1.7	35.3 %	2.1	1.6	31.3 %
Total	\$ 126.3	\$ 127.2	(0.7)%	\$ 89.9	\$ 86.1	4.4 %

Decreases in net costs for Planning and Management and Community Development were due to implementation of budget reductions and holding open positions vacant in fiscal year 2004. Public Safety was slightly higher due to increases in salaries and pension costs. Transportation and Environmental Management increased over the previous year due to the completion of several capital projects. Because grant reimbursements for many of these projects were received in fiscal year 2003, the net cost of services was substantially higher in fiscal year 2004. Although total cost of services was lower for Socioeconomic activities, net cost of services was higher due to lower grant reimbursements and charges for services.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

The City's business-type activities decreased net assets by \$5.0 million, compared to last year's slight increase of \$0.3 million. Key elements of this decrease were as follows:

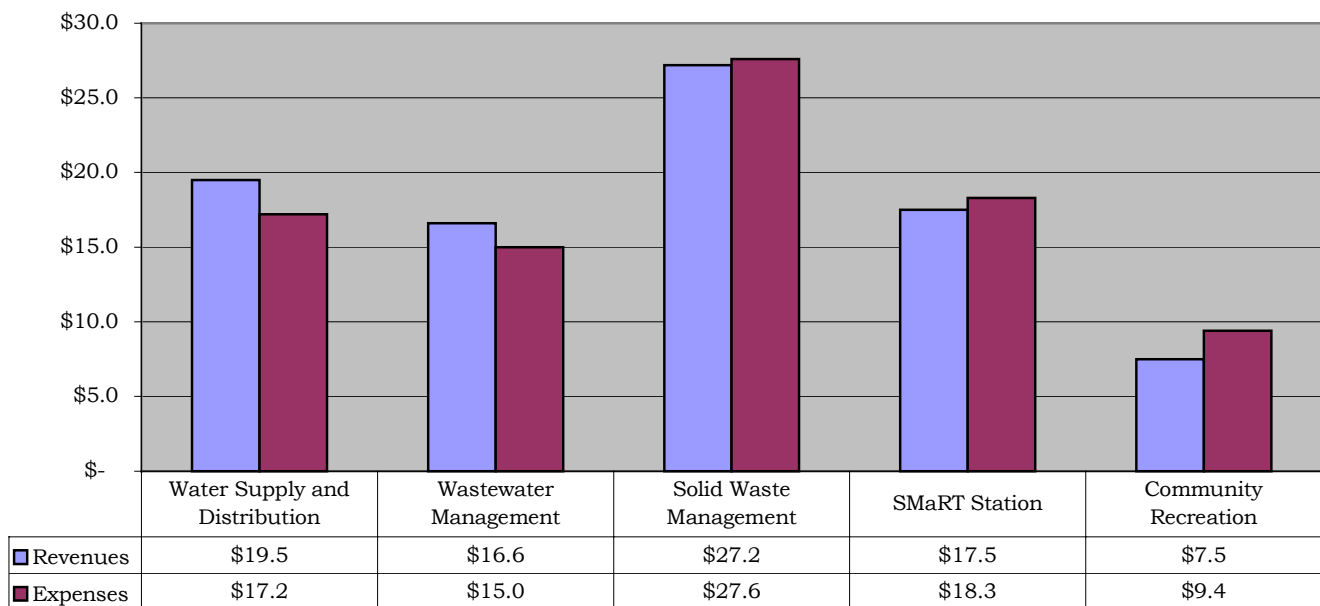
Revenue Highlights:

- Total revenues in business-type activities decreased from last year by \$3.0 million. These decreases were primarily in capital grants and contributions and investment income.

Expense Highlights:

- Total expenses in business-type activities increased from last fiscal year by \$1.9 million. These increases were primarily in Water Supply and Distribution and Solid Waste Management.
- Cost of water purchased for resale increased by \$1.4 million from last fiscal year.
- Cost of contractual services in Solid Waste Management increased by \$0.9 million from last fiscal year.

**Business Type Activities
Revenues and Expenses
June 30, 2004**



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

D. FUND FINANCIAL STATEMENT ANALYSIS

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2004, the City's governmental funds reported combined ending fund balances of \$128.8 million, a decrease of \$18.9 million in comparison with the previous year. Of the ending fund balances, \$63.7 million is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes (see Note 13 in the Basic Financial Statements). \$65.1 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City designates all its unreserved fund balance for future expenditures.

The following are the major funds that the City considered important to financial statement users.

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2004, unreserved fund balance of the General Fund was \$69.0 million, while total fund balance was \$114.6 million. Of the unreserved fund balance, \$18.1 million (20%) was designated by City Council policy for contingencies and \$4.5 million for service level stabilization. In addition, \$2.2 million was designated for capital projects to be completed in the future fiscal year and \$0.7 million was designated for future non-recurring events. Finally, \$43.5 million was designated to maintain and levelize services during the 20-year financial plan. Given the significant budget challenges that the City faces in the near future, it is expected that these 20-year Resource Allocation Plan funds will be drawn down over an eight-year period to maintain existing City services.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2004, unreserved fund balance was 74% of total General Fund expenditures while total fund balance was 124% of total expenditures.

The fund balance of the City's General Fund decreased by \$9.0 million in fiscal year 2004 as compared to a decrease of \$11.6 million in fiscal year 2003. This decrease is due to a revenue reduction of \$6.3 million because of the continued economic downturn of the area. On the other hand, expenditures were lower by \$1.3 million due to cost-cutting measures. In total, expenditures exceeded revenues by \$10.1 million. Transfers In exceeded Transfers Out by \$1.1 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Governmental Funds, Continued

Employment Development Special Revenue Fund

The Employment Development Special Revenue Fund showed a decrease of \$0.4 million in fund balance in fiscal year 2004 as compared to an increase of \$0.2 million in fiscal year 2003. This decrease was due to lower than expected revenues from federal and state job training grants.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund experienced a decrease in fund balance of \$2.9 million at June 30, 2004. In fiscal year 2003, the fund balance decreased by \$3.4 million. These decreases were due to interest on outstanding loans to the General Fund.

City Projects Capital Project Fund

The City Projects Capital Project Fund showed a decrease in fund balance of \$6.8 million in fiscal year 2004, as compared to a decrease of \$12.0 million in fiscal year 2003. This decrease was due to expenditures incurred on major capital projects during the current year for which revenues had been received in prior years.

Proprietary Funds

The Fund Financial Statements for the City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. The major factors concerning these funds have already been addressed in the Government-Wide Financial Analysis of business-type activities above.

The following are the proprietary funds with significant changes in net assets:

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets decreased by \$1.5 million. The fund's operating income of \$3.4 was not sufficient to offset the following items:

- Interest expenses of \$1.9 million on advances from the General Fund and bonded debt,
- General Fund in-lieu charges of \$1.8 million,
- Repayment of \$0.7 million to the General Fund for the power generation facility, and
- Contribution of \$0.6 million made to the City's Infrastructure Renovation and Replacement Capital Projects Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds, Continued

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets decreased by \$3.5 million. The fund's operating income of \$1.1 million was not sufficient to offset the following items:

- Interest expenses of \$1.4 million on advances from the General Fund,
- General Fund in-lieu charges of \$1.8million, and
- Transfer of \$1.0 million to the SMaRT Station Enterprise Fund for its share of debt service payments.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is located in the Required Supplementary Information following the Notes to the Financial Statements.

Over the course of the year, the City Council revised the City budget a number of times. These budget amendments fall into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect capital and special project carryovers for unspent appropriations of projects that have not been completed.
- New appropriations approved by City Council.

Differences between the original and the final amended budget are due primarily to the reappropriation of funds for capital projects outstanding at June 30, 2003. For fiscal year 2004, carryover appropriations totaled \$5.3 million and \$0.8 million was appropriated through the fiscal year for various new unanticipated expenditures. Funding sources included grant revenues, fiscal uncertainties reserve account and General Fund reserves.

Actual expenditures (outflows) for the fiscal year were slightly under the original budget and \$5.4 million under the amended budget. Most of the unspent funds will be reappropriated in the carryover process for fiscal year 2005.

Resources (inflows) available for appropriations were slightly above the original budget and \$1.1 million over the final budgeted amounts. During fiscal year 2004 budget process, revenues were analyzed and amended to more appropriately reflect the actual trends based upon year-to-date information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

Capital assets including infrastructure assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2004, net capital assets of the governmental activities totaled \$407.7 million and the net capital assets of the business-type activities totaled \$98.8 million, including depreciation on capital assets, which is recognized in the Government-Wide Financial Statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement system. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City Policy is to achieve an average Pavement Condition Index (PCI) rating of 75 for all streets. This rating represents a "Very Good" condition based on a national measurement scale. The average rating for City's streets at June 30, 2004, was 84, which is higher than the City's policy level.

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2004 was \$2.5 million. Actual expenditures were \$2.4 million. These expenditures delayed deterioration, and helped maintain the overall condition of the streets at a PCI level higher than the City's goal.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004**F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued****Capital Assets including Infrastructure, Continued**

The following is a summary of the City's capital assets as of June 30, 2004.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 104.0	\$ -	\$ 104.0
Buildings and Structures	86.8	28.7	58.1
Improvements Other than Buildings	64.9	21.6	43.3
Machinery and Equipment	30.6	18.0	12.6
Construction in Progress	3.2	-	3.2
Infrastructure:			
Nondepreciable	157.7	-	157.7
Depreciable	71.5	42.7	28.8
Total	\$ 518.7	\$ 111.0	\$ 407.7
Capital Assets - Business-Type Activities:			
Land	\$ 16.3	\$ -	\$ 16.3
Buildings and Structures	21.9	18.5	3.4
Improvements Other than Buildings	130.9	52.2	78.7
Machinery and Equipment	0.7	0.5	0.2
Construction in Progress	0.2	-	0.2
Total	\$ 170.0	\$ 71.2	\$ 98.8

Governmental Activities:

Two major projects were substantially completed during the fiscal year. These were the Sunnyvale Senior Center, which opened in July 2003, and the Sunnyvale Downtown Plaza, which opened in July 2004. The completion of these facilities represents significant accomplishments for the City.

Business-type Activities:

Additions and deletions of capital assets in the business type activities were routine replacements of current capital assets. No major capital assets were added in fiscal year 2004.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2004, the City had outstanding debt issues as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City has no obligation for these bonds. Each of the City's other bonds are backed by certain specific revenues or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2004 and 2003 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Parking District Bonds	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1
Special Assessment Debt	0.3	0.6	-	-	0.3	0.6
Tax Allocation Refunding Bonds	7.9	7.4	-	-	7.9	7.4
Certificates of Participation	34.8	35.9	-	-	34.8	35.9
Revenue Bonds	-	-	49.0	51.2	49.0	51.2
Total Bonded Debt	\$ 43.0	\$ 44.0	\$ 49.0	\$ 51.2	\$ 92.0	\$ 95.2

During the current fiscal year, total bonded debt decreased by a net amount of \$3.2 million through principal retirement and refinancing. The City issued \$7,960,000 in Tax Allocation Refunding Bonds to defease and refund, on a current basis, previously outstanding Tax Allocation Refunding Bonds. The result is expected to be a decrease in future debt service payments of \$1.2 million.

For more detailed information on Capital Assets and Long-Term Debt see the Notes 6 and 7 to the Basic Financial Statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for the next fiscal year the following factors were taken into consideration:

- Revenues of the City have decreased dramatically, with the highest decreases in Sales Tax and Transient Occupancy Tax.
- The unemployment rate for the City was 5.4% as compared to 7.5% for the prior year. The decline in the local unemployment supports our assumption that the economy appears to have stabilized.
- The inflation rate for the San Francisco Bay metropolitan area at June 30, 2004 was 1.2%, which was lower than the national inflation rate of 3.3% for the same period.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2004

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, CONTINUED

- The City's expenses have increased significantly due to labor contracts and increased pension costs.
- The State budget will have a significant effect on the City's future financial position.
- The latest census results for January 1, 2004 show the City's population at 131,709.

Over the past few years, the City of Sunnyvale has experienced one of the most tumultuous economic periods in history. From the euphoric "dot.com" era of the late 1990s and early 2000s to the economic downturn of the past three years; the City has seen its revenues rise and fall at unprecedented levels. Since fiscal year 2001, the City's Sales Tax and Transient Occupancy Tax revenues have declined 35% and 56%, respectively. However, during the second half of fiscal year 2004, major City revenues stopped declining and at time showed measured growth over the same period last year. These patterns provide some indication that the economy has bottomed out but given such external factors as increase energy costs, the continued hesitancy of businesses to make new commitments, and various geopolitical risks, there remains much uncertainty as to whether these increases will be sustained. With these factors in mind, our forecasts for revenue call for minimal to moderate growth in the near term.

On November 2, 2004, the voters of California overwhelmingly passed State Proposition 1A. While the passage of this proposition does result in immediate revenue loss for cities, it will have a stabilizing effect on the City's long-term revenue structure as it severely limits the State's ability to reallocate local revenues to other sources.

In fiscal year 2004, due to labor contracts, the City's expenses for salaries and related costs increased significantly. In addition to the decline in revenues, the City experienced higher pension costs due to an unprecedented three years of consecutive retirement losses by CalPERS. These losses will result in continued increase in City pension contributions in coming years.

To combat these circumstances the City implemented numerous service level reductions and revenue enhancements in fiscal year 2004. As the City continues to address its structural deficit, additional service reductions and enhancements are anticipated in the future.

The City's approach to budgeting requires that City Council approve a financial plan that has been balanced to the twentieth year. This long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of the City. In fiscal year 2004, the General Fund's unreserved fund balance decreased to \$69.0 million. In addition, the adopted fiscal year 2005 budget will draw down on these reserves by approximately \$14 million. In prior years when the City was experiencing strong economic growth, the reserve was built up. As the effects of the economic downturn are being fully felt, the reserve is available to provide a cushion to implement budget reductions in a thoughtful and measured way.

Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2004

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.



Basic Financial Statements

Government-Wide Financial Statements



Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 186,158,366	\$ 23,607,388	\$ 209,765,754
Cash and Investments Held by Fiscal Agent (Note 2)	3,637,138	15,243,527	18,880,665
Receivables, Net (Note 3)	10,148,417	8,705,240	18,853,657
Intergovernmental Receivables (Note 3)	2,989,067	81,359	3,070,426
Inventories and Prepayments	445,797	150	445,947
Assets Held for Resale	1,381,077	-	1,381,077
Total Current Assets	204,759,862	47,637,664	252,397,526
Noncurrent Assets			
Other Long-term Receivables (Note 3)	5,818,327	-	5,818,327
Long-term Internal Balances	40,177,868	(40,177,868)	-
Deferred Charges (Note 7)	586,689	780,689	1,367,378
Capital Assets (Note 6):			
Land and Nondepreciable Assets	264,930,124	16,499,988	281,430,112
Depreciable Assets, Net	142,787,224	82,319,873	225,107,097
Total Capital Assets	407,717,348	98,819,861	506,537,209
Total Noncurrent Assets	454,300,232	59,422,682	513,722,914
Total Assets	659,060,094	107,060,346	766,120,440
Liabilities:			
Current Liabilities			
Wages Payable	2,494,131	-	2,494,131
Accounts Payable and Accrued Liabilities	5,307,239	5,269,747	10,576,986
Refundable Deposits	2,841,402	230,194	3,071,596
Interest Payable	336,245	575,417	911,662
Deferred Revenues (Note 4)	104,666	-	104,666
Claims and Judgments Payable - Due Within One Year (Note 8)	3,203,257	-	3,203,257
Compensated Absences Payable - Due Within One Year (Note 8)	6,883,258	-	6,883,258
Long-term Debt - Due Within One Year (Note 7)	1,700,000	2,295,000	3,995,000
Total Current Liabilities	22,870,198	8,370,358	31,240,556
Noncurrent Liabilities			
Claims and Judgments - Due in More than One Year (Note 8)	9,123,743	-	9,123,743
Compensated Absences - Due in More than One Year (Note 8)	372,725	-	372,725
Landfill Closure and Postclosure Costs (Note 8)	-	4,093,277	4,093,277
Long-term Debt - Due in More than One Year (Note 7)	41,294,308	46,694,689	87,988,997
Total Noncurrent Liabilities	50,790,776	50,787,966	101,578,742
Total Liabilities	73,660,974	59,158,324	132,819,298
Net Assets (Note 13):			
Invested in Capital Assets, Net of Related Debt	361,517,677	49,830,172	411,347,849
Restricted for:			
Capital Projects	34,753,963	10,779,595	45,533,558
Debt Service	4,100,120	4,463,932	8,564,052
Specific Projects and Programs:			
Nonexpendable	1,327,022	-	1,327,022
Expendable	22,133,642	-	22,133,642
Total Restricted Assets	62,314,747	15,243,527	77,558,274
Unrestricted Net Assets (Deficit)	161,566,696	(17,171,677)	144,395,019
Total Net Assets	\$ 585,399,120	\$ 47,902,022	\$ 633,301,142

See Accompanying Notes to Basic Financial Statements

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2004

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Planning and Management	\$ 14,053,497	\$ 303,602	\$ -	\$ -
Public Safety	55,359,509	2,191,208	1,723,488	-
Community Development	18,815,476	9,174,626	1,269,367	1,347,601
Transportation	13,491,762	610,662	2,542,917	3,689,028
Socioeconomic	13,856,572	548,403	12,095,979	-
Cultural	8,437,938	500,879	84,742	174,254
Environmental Management	2,346,064	199,805	-	-
Interest on Long-term Debt	1,478,554	-	-	-
Total Governmental Activities	127,839,372	13,529,185	17,716,493	5,210,883
Business-Type Activities:				
Water Supply and Distribution	17,231,663	19,365,149	-	123,000
Wastewater Management	14,971,210	16,428,220	-	167,000
Solid Waste Management	27,609,867	27,218,808	-	-
SMaRT Station	18,326,803	17,494,065	-	-
Community Recreation	9,428,282	7,536,514	-	-
Total Business-Type Activities	87,567,825	88,042,756	-	290,000
Total Primary Government	\$ 215,407,197	\$ 101,571,941	\$ 17,716,493	\$ 5,500,883

General Revenues and Transfers:

Revenues:

Taxes:

Property Taxes

Sales and Other Taxes

Total Taxes

Grants and Contributions not Restricted to Specific Programs

Investment Earnings - Unrestricted (Note 2)

Miscellaneous

Gain (Loss) on Disposal of Assets

Transfers

Total General Revenues and Transfers**Change in Net Assets****Net Assets - Beginning of Year, as Restated (Note 15)****Net Assets - End of Year**

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Net (Expense) Revenue and Changes in Net Assets			
Total	Governmental Activities	Business-Type Activities	Total
\$ 303,602	\$ (13,749,895)	\$ -	\$ (13,749,895)
3,914,696	(51,444,813)	-	(51,444,813)
11,791,594	(7,023,882)	-	(7,023,882)
6,842,607	(6,649,155)	-	(6,649,155)
12,644,382	(1,212,190)	-	(1,212,190)
759,875	(7,678,063)	-	(7,678,063)
199,805	(2,146,259)	-	(2,146,259)
-	(1,478,554)	-	(1,478,554)
36,456,561	(91,382,811)	-	(91,382,811)
19,488,149	-	2,256,486	2,256,486
16,595,220	-	1,624,010	1,624,010
27,218,808	-	(391,059)	(391,059)
17,494,065	-	(832,738)	(832,738)
7,536,514	-	(1,891,768)	(1,891,768)
88,332,756	-	764,931	764,931
\$ 124,789,317	(91,382,811)	764,931	(90,617,880)
	27,587,881	-	27,587,881
	47,444,051	-	47,444,051
	75,031,932	-	75,031,932
	821,000	-	821,000
	3,828,799	395,484	4,224,283
	(55,043)	41,592	(13,451)
	(6,681)	-	(6,681)
	6,232,048	(6,232,048)	-
	85,852,055	(5,794,972)	80,057,083
	(5,530,756)	(5,030,041)	(10,560,797)
	590,929,876	52,932,063	643,861,939
\$ 585,399,120	\$ 47,902,022	\$ 633,301,142	



Governmental Fund Financial Statements

The ***General Fund*** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

The ***Employment Development Fund*** accounts for various Federal funds and program revenues used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

The ***Redevelopment Agency Debt Service Fund*** accumulates funds for payment of the Central Core Tax Allocation Refunding Bonds, Series 2003, the 1998 Parking Lease Certificates of Participation, and Advances from the City General Fund. Debt service is financed with incremental property tax revenues and the City's General Fund loan to the Agency in the form of parking lease payments. The Central Core Tax Allocation Bonds, Series 1992 were refunded and paid off in fiscal year 2004 by the issuance of the Central Core Tax Allocation Refunding Bonds, Series 2003.

The ***City Projects Fund*** accounts for City capital projects funded by the General Fund or other governmental funds, or any projects funded by multiple sources.

CITY OF SUNNYVALE

Balance Sheet Governmental Funds June 30, 2004

		Major Funds	
	General Fund	Employment Development	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 65,148,164	\$ -	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,932,535
Receivables, Net (Note 3)	8,569,634	6,858	11,452
Intergovernmental Receivables (Note 3)	154,007	964,595	-
Due From Other Funds (Note 5)	303,722	-	-
Advances to Other Funds (Note 5)	92,068,107	-	-
Inventories and Prepayments	338,358	2,875	-
Other Long-term Receivables (Note 3)	8,052,284	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,381,077	-	-
Total Assets	\$ 176,015,353	\$ 974,328	\$ 1,943,987
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,259,998	\$ 369,264	\$ 2,000
Refundable Deposits	956,242	46,400	-
Due to Other Funds (Note 5)	-	303,722	-
Advances from Other Funds (Note 5)	-	-	48,717,378
Deferred Revenues (Note 4)	59,162,968	18,228	-
Total Liabilities	61,379,208	737,614	48,719,378
Fund Balances (Note 13):			
Reserved:			
Housing Mitigation	-	-	-
Public Safety	-	-	-
Low and Moderate Housing	-	-	-
Restricted Donations	-	233,839	-
Advances to Other Funds Net of Deferred Revenue	35,863,370	-	-
Long-term Receivables Net of Deferred Revenue	5,094,053	-	-
Inventories and Prepayments	338,358	2,875	-
Assets Held for Resale	1,381,077	-	-
Land Acquisition	3,000,000	-	-
Debt Service	-	-	1,932,534
Total Reserved	45,676,858	236,714	1,932,534
Unreserved, Designated:			
Unrealized Gains	-	-	-
Contingencies	18,102,044	-	-
Service Level Stabilization	4,525,511	-	-
Current Capital Projects	2,211,011	-	-
Nonrecurring Events	654,928	-	-
20-Year Resource Allocation Plan	43,465,793	-	-
Total Unreserved, Designated	68,959,287	-	-
Unreserved - Major Funds	-	-	(48,707,925)
Unreserved, Reported in Nonmajor Funds:			
Special Revenue Funds	-	-	-
Capital Projects Fund	-	-	-
Total Fund Balances	114,636,145	236,714	(46,775,391)
Total Liabilities and Fund Balances	\$ 176,015,353	\$ 974,328	\$ 1,943,987

See Accompanying Notes to Basic Financial Statements

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Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ 12,729,100	\$ 48,250,208	\$ 126,127,472
-	1,704,603	3,637,138
301,928	576,886	9,466,758
1,139,212	731,253	2,989,067
35,433	5,492,253	5,831,408
-	-	92,068,107
-	27,737	368,970
-	-	8,052,284
-	18,279,940	18,279,940
-	-	1,381,077
<u>\$ 14,205,673</u>	<u>\$ 75,062,880</u>	<u>\$ 268,202,221</u>
\$ 2,023,965	\$ 809,869	\$ 4,465,096
782,083	1,037,604	2,822,329
-	5,527,686	5,831,408
-	-	48,717,378
86,438	18,328,295	77,595,929
<u>2,892,486</u>	<u>25,703,454</u>	<u>139,432,140</u>
-	5,157,446	5,157,446
-	1,708,888	1,708,888
-	5,492,253	5,492,253
-	1,327,022	1,560,861
-	-	35,863,370
-	-	5,094,053
-	27,737	368,970
-	-	1,381,077
-	-	3,000,000
-	2,167,586	4,100,120
<u>-</u>	<u>15,880,932</u>	<u>63,727,038</u>
101,943	-	101,943
-	-	18,102,044
-	-	4,525,511
11,211,244	-	13,422,255
-	-	654,928
-	-	43,465,793
<u>11,313,187</u>	<u>-</u>	<u>80,272,474</u>
-	-	(48,707,925)
-	10,037,718	10,037,718
-	23,440,776	23,440,776
<u>11,313,187</u>	<u>49,359,426</u>	<u>128,770,081</u>
<u>\$ 14,205,673</u>	<u>\$ 75,062,880</u>	<u>\$ 268,202,221</u>

***Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004***

Total Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet. Internal service funds report capital assets. This amount represents capital assets used by governmental activities excluding capital assets used by internal service funds.

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.

Interest earned from interfund advances to business-type activities, but not available due to cash flow, is reported as deferred revenues in the governmental funds statements. The interest earned increases the net assets in governmental activities in the statement of activities. This amount represents cumulative interest accrued and deferred since fiscal year 1991-92.

Interest earned from General Fund advances to Redevelopment Agency and Internal Service Funds, but not available, is reported as deferred revenues in the lender fund statements and as interest charges in the borrower fund statements. These amounts are consolidated in the governmental activities of the statements of net assets resulting in an increase of net assets. This amount represents cumulative interest accrued and deferred since fiscal year 1977-78.

Interest earned on third-party and related-party loans, but not available, is reported as deferred revenues in the fund statements. This amount increases the net assets in the governmental activities.

Receivables from housing rent assistance is offset by deferred revenues in the fund statements. The deferred revenues increase the net assets in the governmental activities.

Long-term receivables from capital special assessments are not current financial resources and are offset by deferred revenues in the fund statements. In the statement of net assets, revenues are recognized when the capital improvement is completed.

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the government-wide statement of net assets.

Long-term liabilities of governmental activities are not reported as fund liabilities. These liabilities are reported in the statement of net assets.

- Bonds payable, par
- Unamortized discount on bonds
- Deferred charges on bonds

Rebtable arbitrage does not require the use of current financial resources and is not reported as an expenditure in governmental funds until due and payable to the federal government. However, the liability is accrued in the statement of net assets as soon as rebtable arbitrage is incurred.

Net Assets of Governmental Activities

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 23,580,170	\$ -	\$ -
Sales and Other Taxes	37,096,518	-	-
Franchise Fees	5,520,536	-	-
Intergovernmental Revenues	6,679,086	12,006,686	-
Permits and Licenses	4,251,724	-	-
Fines and Forfeitures	750,000	-	-
Special Assessments	136,354	-	-
Service Fees	2,298,507	25,387	-
Use of Money and Property	1,938,816	-	94,902
Other Revenues	191,329	10,879	-
Total Revenues	82,443,040	12,042,952	94,902
Expenditures:			
Current:			
Planning and Management	12,897,776	-	-
Public Safety	53,194,932	-	-
Community Development	13,137,029	-	-
Transportation	5,251,749	-	-
Socioeconomic	317,725	12,347,229	-
Cultural	6,513,878	-	-
Environmental Management	1,131,279	-	-
Capital Outlay	140,416	-	-
Debt Service:			
Principal Retirement	-	-	680,000
Interest and Fiscal Charges	-	-	5,389,758
Total Expenditures	92,584,784	12,347,229	6,069,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,141,744)	(304,277)	(5,974,856)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds	-	-	7,960,000
Issuance Discount on Refunding Bonds	-	-	(68,519)
Payment to Refunded Bonds Escrow Agent	-	-	(7,245,000)
Transfers In (Note 12)	9,491,665	-	2,471,760
Transfers Out (Note 12)	(8,393,174)	(70,000)	-
Total Other Financing Sources (Uses)	1,098,491	(70,000)	3,118,241
Net Change in Fund Balances	(9,043,253)	(374,277)	(2,856,615)
Fund Balances - Beginning of Year, as Restated (Note 15)	123,679,398	610,991	(43,918,776)
Fund Balances - End of Year	\$ 114,636,145	\$ 236,714	\$ (46,775,391)

See Accompanying Notes to Basic Financial Statements

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Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,786,872	\$ 27,367,042
-	-	37,096,518
-	-	5,520,536
4,405,505	4,368,085	27,459,362
-	-	4,251,724
-	24,191	774,191
-	-	136,354
398,115	2,773,099	5,495,108
55,028	899,425	2,988,171
325,074	557,444	1,084,726
<u>5,183,722</u>	<u>12,409,116</u>	<u>112,173,732</u>
-	198,435	13,096,211
-	651,765	53,846,697
-	3,790,963	16,927,992
80,682	2,361,248	7,693,679
-	741,360	13,406,314
-	541,860	7,055,738
-	490,804	1,622,083
11,897,712	2,341,035	14,379,163
-	995,000	1,675,000
-	384,195	5,773,953
<u>11,978,394</u>	<u>12,496,665</u>	<u>135,476,830</u>
(6,794,672)	(87,549)	(23,303,098)
-	-	7,960,000
-	-	(68,519)
-	-	(7,245,000)
2,255,459	6,157,478	20,376,362
<u>(2,253,137)</u>	<u>(5,911,756)</u>	<u>(16,628,067)</u>
<u>2,322</u>	<u>245,722</u>	<u>4,394,776</u>
(6,792,350)	158,173	(18,908,322)
<u>18,105,537</u>	<u>49,201,253</u>	<u>147,678,403</u>
<u>\$ 11,313,187</u>	<u>\$ 49,359,426</u>	<u>\$ 128,770,081</u>

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2004***

Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period.

Depreciation expense on capital assets is reported in the statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.

In-kind contributions of capital assets are not recorded in the governmental funds.

Revenues that have not met the revenue recognition criteria in the fund financial statements are recognized as revenues in the government-wide financial statements.

Interfund interest revenues
Other long-term receivables

Revenues recognized in the statement of activities and changes in net assets in prior fiscal years that became available in current fiscal year.

Proceeds of refunding bonds have no effect on the statement of activities and changes in net assets.

Repayment of principal of long-term debt has no effect on the statement of activities and changes in net assets.

Governmental funds record the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the government-wide statement of activities and changes in net assets.

Rebatable arbitrage does not require the use of current financial resources and is not reported as an expenditure in governmental funds until due and payable to the federal government. However, the expense is accrued in the government-wide statement of activities and changes in net assets as soon as rebatable arbitrage is incurred.

Some expenses reported in the government-wide statement of activities and changes in net assets do not require the use of current financial resources. Therefore, these amounts are not reported as expenditures in governmental funds. This amount represents the change in accrued interest from prior year.

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

Change in Net Assets of Governmental Activities

\$ (18,908,322)

10,937,394

(6,171,235)

821,000

6,516,314
480,469

480,469

(129,852)

(7,960,000)

8,920,000

652,941

(45,560)

60,084

(703,989)

\$ (5,530,756)



Proprietary Fund Financial Statements

The ***Water Supply and Distribution Fund*** accounts for all revenues and expenses related to the City-operated water utility.

The ***Wastewater Management Fund*** accounts for all revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant systems.

The ***Solid Waste Management Fund*** accounts for the revenues and expenses related to the City's refuse collection and solid waste disposal services.

The ***SMaRT Station® Fund*** accounts for the revenues and expenditures associated with the operations of the Sunnyvale Materials and Recovery Transfer Station.

The ***Community Recreation Fund*** accounts for revenues and expenses related to the two City-operated golf courses, tennis center, and recreation classes and services offered by the City.

CITY OF SUNNYVALE**Statement of Net Assets
Proprietary Funds
June 30, 2004**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 3,424,999	\$ 6,196,116	\$ 6,725,726
Cash and Investments Held by Fiscal Agent (Note 2)	1,025,042	12,271,909	-
Receivables, Net (Note 3)	3,182,350	2,164,959	3,279,229
Intergovernmental Receivables (Note 3)	-	-	81,359
Advances to Other Funds (Note 5)	81,276	-	-
Inventories and Prepayments	150	-	-
Total Current Assets	7,713,817	20,632,984	10,086,314
Noncurrent Assets			
Advances to Other Funds (Note 5)	1,068,541	-	-
Deferred Charges	-	-	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	2,158,902	4,613,439	44,043
Depreciable Assets, Net	33,083,154	24,655,558	784,871
Total Noncurrent Assets	36,310,597	29,268,997	828,914
Total Assets	44,024,414	49,901,981	10,915,228
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,249,007	331,863	1,388,198
Advances from Other Funds (Note 5)	-	-	81,276
Refundable Deposits	47,459	17,489	126,896
Interest Payable	147,615	202,086	-
Claims and Judgments Payable - Due Within One Year (Note 8)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 8)	-	-	-
Long-term Debt - Due Within One Year (Note 7)	519,204	710,796	-
Total Current Liabilities	1,963,285	1,262,234	1,596,370
Noncurrent Liabilities			
Advances from Other Funds	1,833,715	16,505,006	22,907,688
Claims and Judgments Payable - Due in More than One Year (Note 8)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 8)	-	-	-
Landfill Closure and Postclosure Costs (Note 8)	-	-	4,093,277
Long-term Debt - Due in More than One Year (Note 7)	9,050,146	19,282,925	-
Total Noncurrent Liabilities	10,883,861	35,787,931	27,000,965
Total Liabilities	12,847,146	37,050,165	28,597,335
Net Assets (Note 13):			
Invested in Capital Assets, Net of Related Debt	25,672,706	9,275,276	828,914
Restricted for Debt Service	1,062,619	1,454,737	-
Restricted for Capital Projects	-	10,779,595	-
Unrestricted	4,441,943	(8,657,792)	(18,511,021)
Total Net Assets	\$ 31,177,268	\$ 12,851,816	\$ (17,682,107)

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Community Recreation		
\$ 5,768,339	\$ 1,492,208	\$ 23,607,388	\$ 60,030,894
1,946,576	-	15,243,527	-
27,856	50,846	8,705,240	681,659
-	-	81,359	-
-	-	81,276	-
-	-	150	76,827
7,742,771	1,543,054	47,718,940	60,789,380
-	-	1,068,541	-
780,689	-	780,689	-
-	9,683,604	16,499,988	549,276
18,258,520	5,537,770	82,319,873	11,691,912
19,039,209	15,221,374	100,669,091	12,241,188
26,781,980	16,764,428	148,388,031	73,030,568
-	-	-	2,494,131
2,101,066	199,613	5,269,747	842,143
-	-	81,276	-
-	38,350	230,194	19,073
225,716	-	575,417	-
-	-	-	3,203,257
-	-	-	6,883,258
1,065,000	-	2,295,000	-
3,391,782	237,963	8,451,634	13,441,862
-	-	41,246,409	3,172,861
-	-	-	9,123,743
-	-	-	372,725
-	-	4,093,277	-
18,361,618	-	46,694,689	-
18,361,618	-	92,034,375	12,669,329
21,753,400	237,963	100,486,009	26,111,191
(1,168,098)	15,221,374	49,830,172	11,691,912
1,946,576	-	4,463,932	-
-	-	10,779,595	-
4,250,102	1,305,091	(17,171,677)	35,227,465
\$ 5,028,580	\$ 16,526,465	\$ 47,902,022	\$ 46,919,377

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Fund Net Assets****Proprietary Funds****Year Ended June 30, 2004**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 19,365,149	\$ 16,428,220	\$ 27,218,808
Total Operating Revenues	19,365,149	16,428,220	27,218,808
Operating Expenses:			
Personnel Services	2,549,506	6,426,613	933,198
Contractual	187,296	1,245,033	23,000,532
Materials and Supplies	467,158	2,234,140	56,708
Utilities	428,072	402,213	76,585
Taxes and Licenses	628,638	117,052	1,781,891
Equipment and Building Rental	372,469	1,139,562	66,869
Water Purchased for Resale	10,694,711	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	46,374	44,181	97,457
Depreciation	1,148,308	1,464,069	75,991
Total Operating Expenses	16,522,532	13,072,863	26,089,231
Operating Income (Loss)	2,842,617	3,355,357	1,129,577
Nonoperating Revenues (Expenses):			
Investment Earnings	164,644	130,801	59,000
Miscellaneous Revenues (Expenses)	3,023	-	34,913
Interest Expense	(709,131)	(1,898,347)	(1,520,636)
Gain (Loss) on Disposal of Assets	-	-	-
Total Nonoperating Revenues (Expenses)	(541,464)	(1,767,546)	(1,426,723)
Income (Loss) before Contributions and Transfers	2,301,153	1,587,811	(297,146)
Capital Contributions	123,000	167,000	-
Transfers In (Note 12)	-	-	-
Transfers Out (Note 12)	(2,763,396)	(3,242,117)	(3,196,758)
Change in Net Assets	(339,243)	(1,487,306)	(3,493,904)
Total Net Assets - Beginning of Year, as Restated (Note 15)	31,516,511	14,339,122	(14,188,203)
Total Net Assets - End of Year	\$ 31,177,268	\$ 12,851,816	\$ (17,682,107)

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities
SMaRT Station	Community Recreation		Internal Service Funds
\$ 17,494,065	\$ 7,536,514	\$ 88,042,756	\$ 51,741,406
17,494,065	7,536,514	88,042,756	51,741,406
182,081	5,624,988	15,716,386	24,383,164
5,996,651	1,120,073	31,549,585	2,766,904
329,893	523,028	3,610,927	1,860,474
47	266,915	1,173,832	1,676,226
10,009,817	6,076	12,543,474	10,186
572	1,592,114	3,171,586	1,081,757
-	-	10,694,711	-
-	-	-	9,118,909
-	-	-	11,852,994
195	14,427	202,634	-
830,924	280,661	3,799,953	2,138,247
17,350,180	9,428,282	82,463,088	54,888,861
143,885	(1,891,768)	5,579,668	(3,147,455)
102,011	(60,972)	395,484	271,961
-	3,656	41,592	(97,997)
(976,623)	-	(5,104,737)	(207,570)
-	-	-	(6,681)
(874,612)	(57,316)	(4,667,661)	(40,287)
(730,727)	(1,949,084)	912,007	(3,187,742)
-	-	290,000	-
1,005,332	3,218,213	4,223,545	3,474,919
(2,810)	(1,250,512)	(10,455,593)	(991,166)
271,795	18,617	(5,030,041)	(703,989)
4,756,785	16,507,848	52,932,063	47,623,366
\$ 5,028,580	\$ 16,526,465	\$ 47,902,022	\$ 46,919,377

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 19,147,304	\$ 16,330,661	\$ 26,769,960
Cash Payments to Suppliers of Goods and Services	(13,014,571)	(5,221,515)	(24,942,632)
Cash Payments to Employees for Services	(2,557,628)	(6,437,990)	(930,058)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	66,908	8,784	201,641
Net Cash Provided by (Used for) Operating Activities	3,642,013	4,679,940	1,098,911
Cash Flows from Noncapital Financing Activities:			
Transfers Received	-	-	-
Transfers Paid	(2,763,396)	(3,242,117)	(3,196,758)
Repayment of Advance From/To Other Funds	75,605	-	(75,605)
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,687,791)	(3,242,117)	(3,272,363)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(502,319)	(687,681)	-
Interest Paid on Long-term Debt	(600,506)	(822,099)	(91,907)
Acquisition and Construction of Capital Assets	(67,359)	(415,646)	(10,763)
Proceeds from Sale of Capital Assets	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,170,184)	(1,925,426)	(102,670)
Cash Flows from Investing Activities:			
Interest on Investments	292,909	185,776	510,250
Change in the Fair Value of Investments	(110,664)	(51,223)	(383,553)
Net Cash Provided by Investing Activities	182,245	134,553	126,697
Net Increase (Decrease) in Cash and Cash Equivalents	(33,717)	(353,050)	(2,149,425)
Cash and Investments - Beginning of Year	4,483,758	18,821,075	8,875,151
Cash and Investments - End of Year	\$ 4,450,041	\$ 18,468,025	\$ 6,725,726
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 3,424,999	\$ 6,196,116	\$ 6,725,726
Cash and Investments Held by Fiscal Agent	1,025,042	12,271,909	-
Total Cash and Investments	\$ 4,450,041	\$ 18,468,025	\$ 6,725,726

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities
SMaRT Station	Community Recreation		Internal Service Funds
\$ 19,223,907	\$ 7,602,012	\$ 89,073,844	\$ 51,833,310
(18,420,219)	(3,579,525)	(65,178,462)	(8,808,706)
(182,081)	(5,640,487)	(15,748,244)	(16,960,713)
-	-	-	(26,917,349)
-	3,656	280,989	84,964
621,607	(1,614,344)	8,428,127	(768,494)
1,005,333	3,218,213	4,223,546	3,474,919
(2,810)	(1,250,512)	(10,455,593)	(991,167)
-	-	-	-
1,002,523	1,967,701	(6,232,047)	2,483,752
(1,025,000)	-	(2,215,000)	-
(918,239)	-	(2,432,751)	-
(19,002)	-	(512,770)	(1,346,410)
-	-	-	191,313
(1,962,241)	-	(5,160,521)	(1,155,097)
198,700	25,267	1,212,902	2,514,172
(92,839)	(87,309)	(725,588)	(2,134,788)
105,861	(62,042)	487,314	379,384
(232,250)	291,315	(2,477,127)	939,545
7,947,165	1,200,893	41,328,042	59,091,348
\$ 7,714,915	\$ 1,492,208	\$ 38,850,915	\$ 60,030,893
\$ 5,768,339	\$ 1,492,208	\$ 23,607,388	\$ 60,030,894
1,946,576	-	15,243,527	-
\$ 7,714,915	\$ 1,492,208	\$ 38,850,915	\$ 60,030,894

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 2,842,617	\$ 3,355,357	\$ 1,129,577
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	1,148,308	1,464,069	75,991
Changes in Assets and Liabilities:			
Receivables, Net	(238,940)	(84,237)	(14,233)
Due from Other Governments	63,885	8,783	27,650
Inventories and Prepayments		-	-
Accounts Payable and Accrued Liabilities	(173,857)	(64,032)	12,746
Landfill Postclosure Care	-	-	(132,820)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 3,642,013	\$ 4,679,940	\$ 1,098,911
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	14,127	-	6,684
Contribution of Capital Assets	123,000	167,000	-

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities
SMaRT Station	Community Recreation		Internal Service Funds
\$ 143,885	\$ (1,891,768)	\$ 5,579,668	\$ (3,147,455)
830,924	280,661	3,799,953	2,138,247
-	16,842	(320,568)	157,812
-	-	100,318	57,907
138,728	4,504	143,232	137,112
(491,930)	(24,583)	(741,656)	1,259,080
-	-	(132,820)	-
-	-	-	(1,503,000)
-	-	-	131,803
<u>\$ 621,607</u>	<u>\$ (1,614,344)</u>	<u>\$ 8,428,127</u>	<u>\$ (768,494)</u>

-	-	20,811	190,780
-	-	290,000	-

Concluded

Fiduciary Fund Financial Statements

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

CITY OF SUNNYVALE

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004

	Agency Funds
Assets:	
Cash and Investments	\$ 2,182,347
Cash and Investments Held by Fiscal Agent	1,748,188
Accounts Receivables	7,761
Interest Receivable	933
Total Assets	\$ 3,939,229
Liabilities:	
Short-term Agency Payables	\$ 881,486
Due to Bondholders	3,057,743
Total Liabilities	\$ 3,939,229

See Accompanying Notes to Basic Financial Statements



Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2004

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Sunnyvale was incorporated on December 24, 1912. The original charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), library, patent library, parks, recreation, water, sewer, refuse collection and disposal, golf, traffic engineering, street maintenance, community development (planning and zoning), public improvements, and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

Redevelopment Agency of the City of Sunnyvale

The Redevelopment Agency of the City of Sunnyvale (Agency) was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the Agency. The Authority was created to facilitate financing of public improvements within the City. The Authority's governing board has the same members as those on the City Council and Agency board.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The Community Facilities District No. 1

The Community Facilities District No. 1 was created by resolutions of the City Council on February 23, 1999. The purpose is to provide financing for the construction of parking facilities required by the remodeling of the Sunnyvale Town Center. The District's governing board has the same members as those on the City Council and Redevelopment Agency.

The Redevelopment Agency and Financing Authority's assets, liabilities, revenues and expenditures are blended into the City's Government-Wide financial statements. Community Facilities District No. 1's assets and liabilities are presented as part of the Fiduciary funds.

Separately issued financial statements for the Redevelopment Agency and the Financing Authority are available at the Department of Finance, City Hall Annex. The Community Facilities District does not issue separate financial statements.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables including the corresponding deferred revenues. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. Interest earned and charged between the City's water and solid waste enterprise activity are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting. In addition, the City has presented the Employment Development Fund as a major fund because the City believes the financial position and activities of the fund are significant to the City as a whole.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for using the accrual basis of accounting.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk because the collateral on these investments is the full faith and credit of the State of California. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

E. Receivables

All receivables are shown net of an allowance for doubtful accounts. Utility revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed either monthly or bi-monthly. Charges for utility services rendered but unbilled at June 30 are accrued and are recognized as revenues.

F. Property Tax Revenue

California State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless there is new construction on the property or the property is sold or transferred. The California Legislature has determined the method of distribution of receipts from the one percent tax levy among the counties, cities, school districts, and other districts.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Santa Clara County assesses properties and bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding March 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. Unsecured tax is due as of the January 1 lien date and becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property.

Property tax revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 90 days after the close of the current period.

The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

G. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

H. Inventory of Supplies

Inventory is valued at average cost, which approximates cost as determined on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is equally offset by a fund balance reservation, which indicates that it does not constitute expendable available financial resources.

I. Assets Held for Resale

Assets held for resale are carried at the lower of cost or market, but not greater than the net realizable value. In the Fund Financial Statements an amount equal to the carrying value of the asset is reserved in fund balance because such assets are not available to finance the City's current operations.

J. Capital Assets

- General Capital Assets \$ 5,000
- Infrastructure Capital Assets \$25,000

- Buildings 30 - 50 years
- Sewer collection system 30 - 80 years
- Other land improvements 30 - 80 years
- Water plants and wastewater plant facilities 30 - 40 years
- Golf courses 10 - 40 years
- Equipment 2 - 10 years

- Street system
- Site amenities such as parking and landscaped areas used by the City in the conduct of its business.

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Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its Street Pavement Subsystem. Each homogeneous segment of City owned street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined:

• Excellent	86-100
• Very Good	71-85
• Good	56-70
• Fair	41-55
• Poor	26-40
• Very Poor	11-25
• Substandard	0-10

The City's policy relative to maintaining the street assets is to achieve an average rating of 75 for all street segments, which is in the “very good” range. For detailed description of the Modified Approach, see the Required Supplementary Information section of this report.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2001. This valuation determined the original cost using one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Compensated Absences

Accrued vacation pay and floating holiday pay for all regular City employees and paid time-off for management employees is recorded in the Employee Benefits Internal Service Fund and is fully funded by cash and investments. Some employees also accrue compensatory time. Sick leave for regular employees does not vest. The City's disability plan provides for wage continuation for up to ninety calendar days per illness or disability after which payments may be assumed by a long-term disability insurance carrier to the age of seventy, depending on age at time of disability. The total amount of vacation, floating holiday, compensatory time, and paid time off is included as a liability in the governmental activities of the Government-Wide financial statements.

L. Deferred Revenue

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded, as deferred revenues in the Government-Wide Financial Statements are unearned grant revenues and prepaid charges for services.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and long-term loans receivables.

M. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. The City performs an actuarial study of claims and judgments to determine liabilities on an annual basis.

N. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Issuance costs are reported as deferred charges.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements

Long-term debt is not reported in the Fund Financial Statements but is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

In the Fund Financial Statements, governmental funds recognize bond premiums and discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. All debt issuance costs are reported as debt service expenditures.

O. Net Assets and Fund Equity

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

Q. Reclassifications

Certain reclassifications have been made to prior year financial data in order to conform to the current year presentation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Implementation of New GASB Pronouncements

In fiscal year 2004, the City adopted new accounting standards in order to conform to three Governmental Accounting Standards Board Statements: Statement No. 39, *Determining Whether Certain Organizations are Component Units*; Statement No. 40, *Deposit and Investment Risk Disclosures*; and Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*. There were no effects on the accompanying basic financial statements as a result of the above Statements.

S. Legal Level of Budgetary Control

The legal level of budgetary control is placed by the City Council at the department and fund level, and on an exception basis, the level of control will be at the program level when adjustments are above specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

A. Deposits

The carrying amounts of the City's cash deposits were \$670,390 at June 30, 2004. Bank balances before reconciling items were \$12,637,208 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments

Under the provisions of the City's Policy, and in accordance with the California Government Code, the following investments were authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities issued by the U.S. Treasury	7 years	100%	N/A
U.S. Agency Securities	7 years	100%	N/A
Banker's Acceptances	180 days	30%	5%
Non-negotiable Certificates of Deposit	1 year	20%	5%
Negotiable Certificates of Deposit	180 days	30%	5%
Repurchase Agreements	15 days	10%	N/A
Local Agency Investment Fund	N/A	20%	N/A
Corporate Medium-term Notes	5 years	30%	5%
Mortgage Pass-through Securities	5 years	20%	5%
Asset-backed Securities	5 years	20%	5%
Money Market Mutual Funds	N/A	10%	N/A
Commercial Paper	180 days	15%	5%

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

	Governmental Activities			Business-Type Activities
	Governmental Funds	Internal Service Funds	Total	
Investment Income				
Interest	\$ 6,185,463	\$ 2,691,097	\$ 8,876,560	\$ 1,126,543
Net Changes in the fair value of investments	(5,214,760)	(2,419,136)	(7,633,896)	(822,966)
Interest on Interfund Advances	-	-	-	91,907
Investment Income - Fund Financial Statements	\$ 970,703	\$ 271,961	1,242,664	395,484

Reconciliation to Government-Wide Investment Earnings:

Deferred Interests:				
Interfund Advances			2,612,291	-
Loans to City Employees			39,984	-
Sunnyvale Community Services Loan			63,712	-
Interest accrued and recognized in prior year				
that became available in current year			(129,852)	-
Investment Income - Government-Wide Financial Statements			\$ 3,828,799	\$ 395,484

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**2. CASH AND INVESTMENTS, Continued****B. Investments, Continued**

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. In accordance with GASB Statement No. 31, the net changes in the fair value of investments take into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold. These unrealized value changes do not represent actual market fluctuations or losses since the City's policy is to buy and hold investments until their maturity dates.

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 186,158,366	\$ 23,607,388	\$ 209,765,754	\$ 2,182,347	\$ 211,948,101
Restricted Cash and Investments	3,637,138	15,243,527	18,880,665	1,748,188	20,628,853
Total	<u>\$ 189,795,504</u>	<u>\$ 38,850,915</u>	<u>\$ 228,646,419</u>	<u>\$ 3,930,535</u>	<u>\$ 232,576,954</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**2. CASH AND INVESTMENTS, Continued****C. Summary of Cash and Investments, Continued**

At June 30, 2004, the City had the following deposits and investments:

	Credit Quality Ratings	Fair Value
City Treasury:		
Deposits	Not Rated	\$ 670,390
Investments:		
Repurchase Agreements *	Not Rated	10,974,000
Securities of U.S. Government Agencies:		
FFCB	Not Rated	9,622,374
FHLB	Not Rated	64,731,556
FHLMC	Not Rated	34,201,602
FNMA	Not Rated	22,182,033
GNMA**	N/A	47,761
U.S. Treasury**	N/A	27,436,562
TVA**	N/A	3,113,525
Total Securities of U.S. Government Agencies		161,335,413
Local Agency Investment Funds	Not Rated	38,968,298
Total Investments		211,277,711
Total City Treasury		211,948,101
Restricted Cash and Investments:		
Cash with Fiscal Agents		
Guaranteed Investment Contracts	Not Rated	9,564,813
Treasury Obligation Mutual Funds	Not Rated	11,064,040
Total Restricted Cash and Investments		20,628,853
Total Cash and Investments		\$ 232,576,954

* Repurchase agreements are collateralized with securities issued by the U.S. Treasury or fully guaranteed as to payment by an agency of the U.S. Government.

** Explicitly guaranteed by the U.S. government or issuing agency.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**2. CASH AND INVESTMENTS, Continued****D. Risk Disclosures**

Interest Rate Risk - To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio to maturity of less than seven years and the average maturity of the portfolio shall be no greater than 2.5 years.

Investments held in the City Treasury grouped by maturity date at June 30, 2004 are shown below:

Maturity	
Current to One Year (365 days)	\$ 109,864,410
366 days to Three Years	101,413,301
Total	\$ 211,277,711

Credit Risk – This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City's investment policy is that no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities, and LAIF. If a security is downgraded by either Moody's or S&P to a level below the minimum quality required by the City, it shall be the City's policy to sell that security as soon as practicable.

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

E. Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2004, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indexes and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Funds, Continued

As of June 30, 2004, the City had \$38,968,298 invested in LAIF, which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2004, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.998384177.

3. RECEIVABLES

Government Wide Financial Statements

At June 30, 2004, the Government-Wide Financial Statements show the following current receivables net of allowances for uncollectible amounts:

	Governmental Activities		Business-Type Activities	
	Governmental Funds	Internal Service Funds	Enterprise Funds	Total
Accounts	\$ 297,223	\$ 5,366	\$ 8,400,981	\$ 8,703,570
Taxes	6,630,590	-	-	6,630,590
Interest	1,301,452	599,212	238,957	2,139,621
Other	1,237,493	77,081	65,302	1,379,876
	<u>\$ 9,466,758</u>	<u>\$ 681,659</u>	<u>\$ 8,705,240</u>	<u>\$ 18,853,657</u>

See the Fund Financial Statements section for detail explanations for all receivables, including intergovernmental and other long-term receivables.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

3. RECEIVABLES, Continued

A. Accounts Receivable

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivable for each major fund and nonmajor fund in the aggregate as of June 30, 2004, were as follows:

Governmental Funds:	
General Fund	\$ 268,625
Nonmajor Funds	28,598
Total Governmental Funds	297,223
Proprietary Funds:	
Water Supply and Distribution Enterprise Fund	3,148,300
Wastewater Management Enterprise Fund	2,094,066
Solid Waste Management Enterprise Fund	3,127,613
Community Recreation Enterprise Fund	31,002
Internal Service Funds	5,366
Total Proprietary Funds	8,406,347
Total Governmental and Proprietary Funds	8,703,570
Agency Funds	7,761
Total	\$ 8,711,331

B. Taxes Receivable

At June 30, 2004, the City had taxes receivable in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:

	Property Taxes	Sales Taxes	Transient Occupancy Taxes	Utility Users Taxes	Total
General Fund	\$ 591,921	\$ 4,511,590	\$ 440,131	\$ 1,072,193	\$ 6,615,835
Nonmajor Funds	14,755	-	-	-	14,755
Total	\$ 606,676	\$ 4,511,590	\$ 440,131	\$ 1,072,193	\$ 6,630,590

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**3. RECEIVABLES, Continued****C. Interest Receivable**

Interest receivable consists of interest from investments pooled by the City, which is distributed among the funds according to their ending cash and investment balances at the end of the accounting period, and interest receivable on restricted investments held by fiscal agents which are recorded in the funds holding the investment. The interest receivable as of June 30, 2004, was as follows:

	City Pooled Investments	Fiscal Agent Investments	Total
Governmental Funds:			
General Fund	\$ 700,323	\$ -	\$ 700,323
Redevelopment Debt Service Fund	-	107	107
City Projects Fund	125,440	-	125,440
Nonmajor Funds	464,130	11,452	475,582
Total Governmental Funds	1,289,893	11,559	1,301,452
Proprietary Funds:			
Water Supply and Distribution Enterprise Fund	34,051	-	34,051
Wastewater Management Enterprise Fund	60,383	4,189	64,572
Solid Waste Management Enterprise Fund	97,171	-	97,171
SMART Station Enterprise Fund	27,856	-	27,856
Community Recreation Enterprise Fund	15,307	-	15,307
Internal Service Funds	599,212	-	599,212
Total Proprietary Funds	833,980	4,189	838,169
Total Governmental and Proprietary Funds	2,123,873	15,748	2,139,621
Agency Funds	933	-	933
Total	\$ 2,124,806	\$ 15,748	\$ 2,140,554

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**3. RECEIVABLES, Continued****D. Other Receivables**

At June 30, 2004 other miscellaneous receivables were reported in the following funds:

Governmental Funds:

General Fund	\$ 984,853
Employment Development Special Revenue Fund	6,858
Nonmajor Funds	<u>245,782</u>
Total Governmental Funds	<u>1,237,493</u>

Proprietary Funds:

Wastewater Management Enterprise Fund	6,319
Solid Waste Management Enterprise Fund	54,446
Community Recreation Enterprise Fund	4,537
Internal Service Funds	<u>77,081</u>
Total Proprietary Funds	<u>142,383</u>
Total	<u><u>\$ 1,379,876</u></u>

E. Intergovernmental Receivables

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2004, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:

General Fund	\$ 154,007
Employment Development Special Revenue Fund	964,595
City Projects Fund	1,139,212
Nonmajor Funds	<u>731,253</u>
Total Governmental Funds	<u>2,989,067</u>

Proprietary Funds:

Solid Waste Management Enterprise Fund	<u>81,359</u>
Total Proprietary Funds	<u>81,359</u>
Total	<u><u>\$ 3,070,426</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**3. RECEIVABLES, Continued****F. Other Long-term Receivables**

At June 30, 2004, the City had the following long-term receivables in the Governmental Funds:

	<u>General Fund</u>
Sunnyvale School District	\$ 2,233,956
Sunnyvale Community Services	1,833,375
Loans to City Employees	<u>3,984,953</u>
Total	<u><u>\$ 8,052,284</u></u>

In the Government-Wide Financial Statements, Sunnyvale School District receivable was excluded as explained below.

Sunnyvale School District

During fiscal year 1992-93, the City issued \$2,310,000 Certificates of Participation (ABAG 27 Series A) to acquire and install modular classroom buildings on sites owned by the Sunnyvale School District. During fiscal year 1997-98, the City issued \$1,935,000 Certificates of Participation (ABAG 39) to acquire relocatable classroom buildings on sites owned by the Sunnyvale School District. The above debt issuances were to provide childcare and preschool education services within the boundaries of the City for the benefit of the Sunnyvale School District (District). The District leases the modular classroom buildings from the City and pays semi-annual rent. The lease payments will expire in fiscal year 2006-07 for ABAG 27 Series A project and in fiscal year 2012-2013 for ABAG 39 project.

At June 30, 2004, loans receivable related to ABAG 27 Series A and ABAG 39 projects amounted to \$801,825 and \$1,432,131 respectively for a total of \$2,233,956. A corresponding deferred revenue was recorded in the Fund Financial Statements because this amount is not available to meet current liability requirements, and future lease payments depend on continued use of the projects. The receivable and deferred revenues were both eliminated in the Government-Wide Financial Statements.

Sunnyvale Community Services

On April 1, 2003, the City entered into an agreement with Sunnyvale Community Services (SCS), a non-profit organization, to loan \$1,755,000 to SCS for the purchase of facilities to house both its offices and its food storage requirements. SCS had intended to purchase the facilities from the proceeds of sale of a land donation made by a local corporation. As of June 30, 2004, SCS had not yet sold the donated land because of market conditions. For a number of years, SCS had occupied offices in property leased by the City with no charge for rent. Because that facility was no longer available, the City agreed to provide interim funding to SCS to purchase the needed facilities. The loan is secured by a first trust deed on the donated land. The loan accrues interest at a rate equal to the interest earned on the City's portfolio and is compounded monthly. The principal and all accrued interest is payable by April 15, 2005 or upon the sale of the donated land whichever occurs sooner. At June 30, 2004, the balance on the loan was \$1,833,375, which included accrued interest of \$78,375.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**3. RECEIVABLES, Continued****F. Other Long-term Receivable, Continued****Loans to City Employees**

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 3.879% to 6.845%, and have repayment terms of up to 45 years. As of June 30, 2004, the City had nine loans outstanding to City employees totaling \$3,984,953, including accrued interest of \$317,482, which is recorded as deferred revenue.

G. Housing Loans Receivable**Governmental Funds:**

	<u>Nonmajor Funds</u>
CDBG Loans	\$ 10,663,955
Housing Mitigation Loans	2,610,473
Rental Rehabilitation Loans	37,812
HOME Loans	<u>4,967,700</u>
Total	<u>\$ 18,279,940</u>

Community Development Block Grant (CDBG) Loans

The City had made several loans totaling \$10,663,955 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

Housing Mitigation Loans

The City has made housing mitigation loans totaling \$2,610,473. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Rental Rehabilitation Loans

The City has made loans totaling \$37,812 for rehabilitation of rental property. The program is no longer active and any amounts outstanding are from old loans.

HOME Loans

The City has made loans totaling \$4,967,700 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**3. RECEIVABLES, Continued****G. Housing Loans Receivable, Continued**

All housing loans are secured by a deed of trust with interest rates ranging from 3% to 5% and repayment terms from 10 to 55 years. Since repayment of these loans is not assured until cash is received, and in some cases loans are forgiven, an offsetting amount has been recorded as deferred revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, both the receivable and the deferred revenues are eliminated.

4. DEFERRED REVENUE**Government-Wide Financial Statements**

Deferred revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2004, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Unearned grant revenues	\$ 104,666
Total	\$ 104,666

Fund Financial Statements

At June 30, 2004, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Employment Development Fund	City Projects	Nonmajor Funds	Total
Interest Accruals:					
Interfund Advances	\$ 56,204,737	\$ -	\$ -	\$ -	\$ 56,204,737
Sunnyvale Community Services Loan	78,375	-	-	-	78,375
Loan to City Employees	317,482	-	-	-	317,482
Long-term assessment	328,418	-	-	-	328,418
Long-term leases receivable	2,233,956	-	-	-	2,233,956
Long-term housing loans receivable	-	-	-	18,328,295	18,328,295
Unearned grant revenues	-	18,228	86,438	-	104,666
Total	\$ 59,162,968	\$ 18,228	\$ 86,438	\$ 18,328,295	\$ 77,595,929

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

5. INTERFUND RECEIVABLES/PAYABLES

A. Due to/from Other Funds

The composition of due to/from other funds as of June 30, 2004 is as follows:

Due to other funds				
Governmental Activities				
	Employment Development	Nonmajor Funds		Totals
		Redevelopment Agency	Transportation Development Act	
Governmental Activities				
General Fund	\$ 303,722	\$ -	\$ -	\$ 303,722
City Projects Fund	-	-	35,433	35,433
Nonmajor Fund:				
Low and Moderate Income Housing	-	5,492,253	-	5,492,253
Totals	\$ 303,722	\$ 5,492,253	\$ 35,433	\$5,831,408

The amounts due to the General Fund from other funds are due to cash flow needs of the receiving funds at June 30. These amounts are repaid shortly after the end of the year, as cash becomes available to these funds.

The amount of \$5,492,253 represents the 20% of redevelopment property tax increment revenues that are set aside for low and moderate income housing by State law. The Agency cannot provide funding due to pre-existing bonded debt and other obligations. The advance carries no interest and has no specific repayment terms.

B. Advances to/from Other Funds

The composition of advances to/from other funds as of June 30, 2004 is as follows:

Advances due to other funds						
	Governmental Activities		Business-Type Activities			Totals
	Redevelopment Agency Debt Service	Internal Service General Services	Water Supply and Distribution	Wastewater Management	Solid Waste Management	
Governmental Activities						
General Fund	\$ 48,717,378	\$ 3,172,861	\$ 1,833,715	\$ 16,505,006	\$ 21,839,147	\$ 92,068,107
Business-Type Activities						
Water Supply and Distribution	-	-	-	-	1,149,817	1,149,817
Totals	\$ 48,717,378	\$ 3,172,861	\$ 1,833,715	\$ 16,505,006	\$ 22,988,964	\$ 93,217,924

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

5. INTERFUND RECEIVABLES/PAYABLES, Continued

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall. The lease, as amended, requires the City to pay to the Agency base rental payments ranging from \$1,131,103 to \$1,281,250 on October 1 and April 1 of each year until October 1, 2022. In addition to base rental payments, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs in order to maintain the existence of the parking structure or to comply with the terms of the related bond resolutions. During the fiscal year ended June 30, 2004, the City made \$1,216,678 in base rental payments to the Agency. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest thereon. During the fiscal year ended June 30, 2002, the General Funds advanced \$1,500,000 to the Redevelopment Agency to fund downtown public improvements. This advance bears interest at 6% and is payable in annual installments through 2007. The funds needed to repay the City are generated from tax increment revenues. The remaining tax increment revenues determine each year's repayment to the General Fund after paying the Central Core bonded debt service. Repayments totaling \$3,349,371 were made during the fiscal year ended June 30, 2004. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$1,246,860 to cover the Agency's operating and project expenditures. At June 30, 2004, total loan balance was \$48,717,378, including accrued interest of \$36,678,165.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for Public Works Corporation Yard. The total purchase price of \$2,550,000 was funded by the City's Water Supply and Distribution and Wastewater Management Enterprise Funds based on the number of staff located at the corporation yard. Using this methodology, the Water Supply and Distribution Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Management Fund's share amounted to 36% or \$918,000. The Wastewater Management Fund had sufficient funds for the purchase. Since the Water Supply and Distribution Fund did not have sufficient funds, the General Fund agreed to loan the Water Supply and Distribution Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Payments are scheduled to begin in fiscal year 2008 through fiscal year 2026. At June 30, 2004, total loan balance was \$1,833,715, including accrued interest of \$201,715.

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes for the Technology Services Subfund. The advance bears interest at 7% and is payable in annual installments, including interest, of \$523,510 starting fiscal year 2009-10 through fiscal year 2018-19. Unpaid interest increases the principal due. During fiscal year 2000-01, the General Fund advanced an additional \$450,000 to the General Services Public Safety Equipment Subfund for cash flow purposes. The advance bears interest at 7% and is payable in annual installments of \$20,000 to \$22,510, including interest, from fiscal year 2007-08 to fiscal year 2011-12 and \$243,724 from fiscal year 2012-13 to fiscal year 2015-16. At June 30, 2004, total loan balance was \$3,172,861, including accrued interest of \$722,861.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**5. INTERFUND RECEIVABLES/PAYABLES, Continued**

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 1994-95, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. Annual installments of \$1,527,152, including interest, was budgeted beginning fiscal year 2007-08 through fiscal year 2012-13. During fiscal year 1995-96, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The interest accrued on the unpaid principal increased the amount due to the General Fund. The advance bears interest at 7% and is budgeted to be paid in annual installments, including interest, of \$311,345 from fiscal year 2004-05 through fiscal year 2023-24. At June 30, 2004, total loan balance was \$16,505,006, including unpaid accrued interest of \$9,193,814.

During fiscal years June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1994-95 and 1998-99, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. The advances bear interest at 7%. Unpaid interest increases the principal balance. Repayment of \$314,966 is scheduled to be made in fiscal year 2009-10, \$2,459,103 from fiscal year 2010-11 to fiscal year 2013-14, \$4,503,368 annually from fiscal year 2014-15 to fiscal year 2016-17, and \$5,091,734 annually from fiscal year 2017-18 to fiscal year 2022-23. At June 30, 2004, total loan balance was \$21,839,147, including unpaid accrued interest of \$9,408,182.

During fiscal year ended June 30, 1994, the Water Supply and Distribution Fund advanced \$1,707,698 to the Solid Waste Management Fund to finance a portion of the cost to place a final cover on the City's landfill. The advance bears interest at 7.5% and is payable in annual installments, including interest, of \$167,512 through fiscal year 2013-14. At June 30, 2004, total loan balance was \$1,149,817.

6. CAPITAL ASSETS

The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**6. CAPITAL ASSETS, Continued****Government-Wide Financial Statements**

At June 30, 2004, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Nondepreciable Assets:			
Land	\$ 104,032,562	\$ 16,269,169	\$ 120,301,731
Construction in Progress	3,211,679	230,819	3,442,498
Infrastructure - Streets	157,685,883	-	157,685,883
Total Nondepreciable Assets	264,930,124	16,499,988	281,430,112
Depreciable Assets:			
Buildings	86,808,887	21,938,146	108,747,033
Improvements	64,882,987	130,902,587	195,785,574
Equipment	30,640,283	689,475	31,329,758
Infrastructure:			
Sidewalks	33,303,829	-	33,303,829
Curbs and Gutters	30,053,507	-	30,053,507
Street Lights	2,796,164	-	2,796,164
Traffic Signals	5,345,707	-	5,345,707
Total Depreciable Assets	253,831,364	153,530,208	407,361,572
Less Accumulated Depreciation	(111,044,140)	(71,210,335)	(182,254,475)
Total Depreciable Assets, Net	142,787,224	82,319,873	225,107,097
Total Capital Assets	\$ 407,717,348	\$ 98,819,861	\$ 506,537,209

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Nondepreciable Assets:				
Land	\$ 104,032,562	\$ -	\$ -	\$ 104,032,562
Infrastructure - Streets	156,546,282	1,139,601	-	157,685,883
Construction in Progress	10,661,081	1,911,473	(9,360,875)	3,211,679
Total Nondepreciable Assets	271,239,925	3,051,074	(9,360,875)	264,930,124
Depreciable Assets:				
Buildings and Structures	78,760,076	8,048,811	-	86,808,887
Improvements Other than Buildings	58,201,044	6,681,943	-	64,882,987
Machinery and Equipment	30,147,251	1,518,413	(1,025,381)	30,640,283
Infrastructure	68,142,989	3,356,218	-	71,499,207
Total Depreciable Assets	235,251,360	19,605,385	(1,025,381)	253,831,364
Accumulated Depreciation:				
Buildings and Structures	(26,473,389)	(2,258,728)	-	(28,732,117)
Improvements Other than Buildings	(19,602,944)	(1,974,658)	-	(21,577,602)
Machinery and Equipment	(16,592,773)	(2,257,390)	817,594	(18,032,569)
Infrastructure	(40,883,145)	(1,818,707)	-	(42,701,852)
Total Accumulated Depreciation	(103,552,251)	(8,309,483)	817,594	(111,044,140)
Depreciable Assets, Net	131,699,109	11,295,902	(207,787)	142,787,224
Total Governmental Activities Capital Assets, Net	\$ 402,939,034	\$ 14,346,976	\$ (9,568,662)	\$ 407,717,348

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2004 are as follows:

Planning and Management	\$ 1,236,151
Public Safety	927,959
Community Development	1,709,327
Transportation	2,308,845
Socioeconomic	188,575
Cultural	1,309,012
Environmental Management	629,614
Total Depreciation Expense	\$ 8,309,483

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Nondepreciable Assets:				
Land	\$ 16,258,469	\$ 10,700	\$ -	\$ 16,269,169
Construction in Progress	203,963	157,211	(130,355)	230,819
Total Nondepreciable Assets	16,462,432	167,911	(130,355)	16,499,988
Depreciable Assets:				
Buildings and Structures	21,938,146	-	-	21,938,146
Improvements Other than Buildings	130,135,565	767,022	-	130,902,587
Machinery and Equipment	736,935	19,003	(66,463)	689,475
Total Depreciable Assets	152,810,646	786,025	(66,463)	153,530,208
Accumulated Depreciation:				
Buildings and Structures	(18,019,519)	(530,555)	-	(18,550,074)
Improvements Other than Buildings	(48,985,763)	(3,216,635)	-	(52,202,398)
Machinery and Equipment	(471,563)	(52,763)	66,463	(457,863)
Total Accumulated Depreciation	(67,476,845)	(3,799,953)	66,463	(71,210,335)
Depreciable Assets, Net	85,333,801	(3,013,928)	-	82,319,873
Total Business-Type Activities Capital Assets, Net	\$ 101,796,233	\$ (2,846,017)	\$ (130,355)	\$ 98,819,861

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2004 are as follows:

Water Supply and Distribution	\$ 1,148,308
Wastewater Management	1,464,069
Solid Waste Management	75,991
SMaRT Station	830,924
Community Recreation	280,661
Total Depreciation Expense	\$ 3,799,953

Fund Financial Statements

The Fund Financial Statements do not present General Government Capital Assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT

A. Long-term Obligations

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2004:

Description	Beginning Balance July 1, 2003	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2004	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
Parking District Bonds	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -	\$ -	\$ -
Special Assessment Bonds	540,000	-	(260,000)	-	280,000	280,000	-
Tax Allocation Bonds:							
1992 Central Core	7,440,000	-	(7,440,000)	-	-	-	-
Central Core, Series 2003	-	7,891,481		2,267	7,893,748	230,000	7,663,748
Certificates of Participation:							
1998 Parking Facility ,Series A	15,450,000	-	(485,000)	-	14,965,000	500,000	14,465,000
1993 ABAG	985,000	-	(175,000)	-	810,000	185,000	625,000
1998 ABAG	1,505,000	-	(105,000)	-	1,400,000	110,000	1,290,000
2001 Government Center	17,980,000	-	(380,000)	-	17,600,000	395,000	17,205,000
Rebatable Arbitrage	-	45,560	-		45,560	-	45,560
Total Governmental Activities	\$ 43,975,000	\$ 7,937,041	\$ (8,920,000)	\$ 2,267	\$ 42,994,308	\$ 1,700,000	\$ 41,294,308
Business-Type Activities:							
Revenue Bonds:							
Water and Wastewater , Series 2001	30,739,859	-	(1,190,000)	13,212	29,563,071	1,230,000	28,333,071
Solid Waste, Series 2003	20,442,532	-	(1,025,000)	9,086	19,426,618	1,065,000	18,361,618
Total Business-Type Activities	\$ 51,182,391	\$ -	\$ (2,215,000)	\$ 22,298	\$ 48,989,689	\$ 2,295,000	\$ 46,694,689

The ratings for the City's outstanding bonds, excluding special assessment bonds at June 30, 2004 were as follows:

	Outstanding Par Amount	Moody's Investors Service	Standard and Poor's
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 7,960,000	Aaa	AAA
1998 Parking Facility, Series A Certificates of Participation	14,965,000	Aaa	AAA
1993 ABAG Certificates of Participation	810,000	Aaa	AAA
1998 ABAG Certificates of Participation	1,400,000	Aaa	AAA
2001 Government Center Certificates of Participation	17,600,000	Aaa	AAA
Water and Wastewater Revenue Bonds, Series 2001	29,775,000	Aaa	AAA
Solid Waste Revenue Bonds, Series 2002	19,550,000	Aaa	AAA

All bonds listed above are insured which is reflected in the underlying ratings for the bonds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

Special Assessment Debt

\$2,710,000 1989 Mary Avenue Phase V Improvement Bonds

Due in annual installments of \$100,000-\$280,000 through September 2, 2004, interest at 6.00-7.30%, repayments made from special assessment levy recorded in the Special Assessment Bonds Debt Service Fund.

The debt service requirements for the bonds at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 280,000	\$ 10,220	\$ 290,220
Total	<u>\$ 280,000</u>	<u>\$ 10,220</u>	<u>\$ 290,220</u>

Tax Allocation Bonds

\$7,960,000 Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003

Due in annual installments of \$230,000-\$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund. The bonds are presented net of unamortized discount of \$66,252. The bonds also had deferred charges of \$606,763, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the deferred charges at June 30, 2004 was \$580,689.

The debt service requirements for the bonds at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 230,000	\$ 338,021	\$ 568,021
2006	285,000	275,496	560,496
2007	340,000	269,246	609,246
2008	350,000	262,346	612,346
2009	355,000	254,941	609,941
2010-2014	1,915,000	1,116,953	3,031,953
2015-2019	2,290,000	729,631	3,019,631
2020-2023	2,195,000	201,520	2,396,520
	7,960,000	3,448,154	11,408,154
Less Unamortized Discount	(66,252)	-	(66,252)
Total	<u>\$ 7,893,748</u>	<u>\$ 3,448,154</u>	<u>\$ 11,341,902</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

Certificates of Participation

\$17,525,000 1998 Parking Facility, Series A, Certificates of Participation

Due in annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%, repayments made from base rental payments from the General Fund.

The debt service requirements for the Certificates of Participation at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 500,000	\$ 711,728	\$ 1,211,728
2006	520,000	690,558	1,210,558
2007	545,000	667,920	1,212,920
2008	570,000	643,805	1,213,805
2009	590,000	618,280	1,208,280
2010-2014	3,395,000	2,639,696	6,034,696
2015-2019	4,315,000	1,693,125	6,008,125
2020-2023	4,530,000	470,500	5,000,500
Total	<u>\$ 14,965,000</u>	<u>\$ 8,135,612</u>	<u>\$ 23,100,612</u>

\$2,310,000 1993 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through February 1, 2008, interest at 3.50%-6.25%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund.

The debt service requirements for the Certificates of Participation at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 185,000	\$ 49,765	\$ 234,765
2006	195,000	38,665	233,665
2007	210,000	26,770	236,770
2008	220,000	13,750	233,750
Total	<u>\$ 810,000</u>	<u>\$ 128,950</u>	<u>\$ 938,950</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

\$1,935,000 1998 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through July 15, 2013, interest at 4.40-5.20%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund.

The debt service requirements for the Certificates of Participation at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 110,000	\$ 66,593	\$ 176,593
2006	115,000	61,473	176,473
2007	120,000	56,008	176,008
2008	125,000	50,219	175,219
2009	135,000	44,010	179,010
2010-2014	795,000	109,015	904,015
Total	<u>\$ 1,400,000</u>	<u>\$ 387,318</u>	<u>\$ 1,787,318</u>

\$18,710,000 2001 Government Center Certificates of Participation

Due in annual installments of \$360,000-\$995,000 through April 1, 2031, variable interest rate determined weekly by the remarketing agent. Repayments are made from lease payments from the General Fund and the Enterprise Funds based on a predetermined prorata share of each activity's use of the premises.

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate, which is determined by the remarketing agent as the rate which would be necessary to enable the remarketing of the COPs at 100% of the principal amount. At June 30, 2004, the average interest rate is 1.54%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the Certificates of Participation at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 395,000	\$ 271,040	\$ 666,040
2006	410,000	264,957	674,957
2007	425,000	258,643	683,643
2008	440,000	252,098	692,098
2009	455,000	245,322	700,322
2010-2014	2,540,000	1,116,038	3,656,038
2015-2019	3,030,000	905,905	3,935,905
2020-2024	3,625,000	654,885	4,279,885
2025-2029	4,325,000	354,970	4,679,970
2030-2031	1,955,000	45,430	2,000,430
Total	<u>\$ 17,600,000</u>	<u>\$ 4,369,288</u>	<u>\$ 21,969,288</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

Revenue Bonds

\$32,115,000 Water and Wastewater Revenue Bonds, Series 2001

Due in annual installments of \$1,150,000 - \$3,395,000 through October 1, 2026, interest at 2.5% - 5.17%, repayments made from net revenues of the Water Supply and Distribution and Wastewater Management Enterprise Funds. The bonds are presented net of unamortized discount of \$211,929.

The debt service requirements for the bonds at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,230,000	\$ 1,382,200	\$ 2,612,200
2006	1,270,000	1,340,195	2,610,195
2007	1,320,000	1,294,170	2,614,170
2008	1,370,000	1,242,720	2,612,720
2009	1,435,000	1,179,608	2,614,608
2010-2014	8,160,000	4,895,467	13,055,467
2015-2019	8,815,000	2,571,475	11,386,475
2020-2024	3,565,000	1,115,875	4,680,875
2025-2027	2,610,000	200,250	2,810,250
	29,775,000	15,221,960	44,996,960
Less Unamortized Discount	(211,929)	-	(211,929)
Total	<u>\$ 29,563,071</u>	<u>\$ 15,221,960</u>	<u>\$ 44,785,031</u>

\$20,575,000 Solid Waste Revenue Bonds, Series 2003

Due in annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds are presented net of unamortized discount of \$123,382.

The bonds also had deferred charges of \$854,769, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2004 was \$780,689.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

\$20,575,000 Solid Waste Revenue Bonds, Series 2003, Continued

The debt service requirements for the bonds at June 30, 2004 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,065,000	\$ 881,564	\$ 1,946,564
2006	1,105,000	841,214	1,946,214
2007	1,135,000	809,679	1,944,679
2008	1,165,000	780,184	1,945,184
2009	1,205,000	737,600	1,942,600
2010-2014	6,895,000	2,829,263	9,724,263
2015-2018	6,980,000	793,925	7,773,925
	19,550,000	7,673,429	27,223,429
Less Unamortized Discount	(123,382)	-	(123,382)
Total	<u>\$ 19,426,618</u>	<u>\$ 7,673,429</u>	<u>\$ 27,100,047</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2004 by activity were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	1,700,000	1,447,367	2,295,000	2,263,764
2006	1,525,000	1,331,149	2,375,000	2,181,409
2007	1,640,000	1,278,587	2,455,000	2,103,849
2008	1,705,000	1,222,218	2,535,000	2,022,904
2009	1,535,000	1,162,553	2,640,000	1,917,208
2010-2014	8,645,000	4,981,702	15,055,000	7,724,730
2015-2019	9,635,000	3,328,661	15,795,000	3,365,400
2020-2024	10,350,000	1,326,905	3,565,000	1,115,875
2025-2029	4,325,000	354,970	2,610,000	200,250
2030-2033	1,955,000	45,430	-	-
	43,015,000	16,479,542	49,325,000	22,895,389
Less Unamortized Discount	(66,252)	-	(335,311)	-
Total	<u>\$ 42,948,748</u>	<u>\$ 16,479,542</u>	<u>\$ 48,989,689</u>	<u>\$ 22,895,389</u>

Total long-term debt included rebatable arbitrage of \$45,560. This amount consisted of \$32,904 for the 2001 Government Center Certificates of Participation and \$12,656 for the 1998 Parking Facility, Series A, Certificates of Participation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**7. LONG-TERM DEBT, Continued*****B. Description of New Debt*****Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003**

On November 18, 2003, the Redevelopment Agency of the City of Sunnyvale issued \$7,960,000 in Central Core Redevelopment Project Tax Allocation Bonds, Series 2003 (2003 Bonds) to defease and refund on a current basis \$7,245,000 of outstanding bonds of the Central Core Redevelopment Project Tax Allocation Bonds, Series 1992 (1992 Bonds), to fund a reserve fund for the 2003 Bonds, and to pay certain costs incurred in connection with issuing the Bonds. The original issue discount on the refunding bonds was \$68,519. The City refunded the 1992 Bonds to reduce its total debt service over the next 19 years by \$1.2 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$884,289.

The Bonds are payable from and secured by property tax increment revenues recorded in the Redevelopment Agency Special Revenue Fund.

The bonds bear interest rates ranging from 2.0% to 4.5% and are payable semiannually on August 1 and February 1 of each year commencing August 1, 2004. Principal payments ranging from \$230,000 to \$585,000 are due each August 1 commencing August 1, 2004 through 2022.

C. Prior Year Defeasance of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts in amounts sufficient to meet all future debt service requirements of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2004, the following outstanding bonds are considered defeased:

1977 Central Core Redevelopment Tax Allocation Bonds (refunded in 1992)	\$	3,080,000
1977 Parking Lease Revenue Bonds, Series A and B (refunded in 1992)		4,735,000
1992 Parking Lease Revenue Refunding Bonds (refunded in 1998)		13,855,000

The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proof of insurance and budgeted revenues and maintenance costs.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

7. LONG-TERM DEBT, Continued

D. Non City Obligations

Community Facilities District

On May 16, 2001, the City issued \$36,000,000 of Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982 as amended (Act) on behalf of Community Facilities District No. 1 (CFD No. 1). The CFD No. 1 bonds bear interest at 7.65% to 7.75% and mature August 1, 2032. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the CFD No. 1 bonds. The CFD No. 1 bonds will be repaid solely from the proceeds of a special tax levied upon all taxable real property in CFD No. 1. The bonds are secured by special taxes on the Sunnyvale Town Center Mall property. The proceeds of the bonds were to be used to finance certain public improvements, primarily two new parking garages.

The bond documents for the CFD No. 1 bonds stipulate that in the event the Initial Release Test is not satisfied, the bonds will be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale must determine, at the time of the initial disbursement from the Escrow Fund, that several conditions have been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$19,990,000 at June 30, 2004.

The owner of the Sunnyvale Town Center Mall property initiated Chapter 11 bankruptcy proceedings on September 24, 2002 in the United States Bankruptcy Court of the Central District of California. The mall closed in the summer of 2003. The two anchor stores (Macy's and Target) are independently owned and operated and remain open for business. The principal creditor of the mall property has identified a potential developer and together they have proposed a plan to purchase the property out of bankruptcy. As part of the plan, they have obtained a special development permit from the City for a new mixed-use retail, office, and residential development. A Disposition and Development and Owner Participation Agreement has also been negotiated with the City's Redevelopment Agency for the project. A confirmation hearing is now required by the Bankruptcy Court on the bankruptcy plan. The City is unable to predict the ultimate resolution of these bankruptcy proceedings.

There have been no defaults on any debt service payments to the bondholders.

2002 Housing Revenue Bonds, Series A

On December 26, 2002, the City issued \$2,600,000 of 2002 Housing Revenue Bonds, Series A on behalf of the Emergency Housing Consortium (EHC), a nonprofit corporation. The bonds bear interest at 7.5% to 9.0% and mature December 1, 2032. The bonds were used to partially finance the acquisition of a 24-unit apartment complex located at 183 Acalanes Drive to increase the number of affordable rental housing units in the City. The bonds are secured by a deed of trust on the property. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the Housing Revenue Bonds. Since the bonds do not constitute a debt of the City, they are not reported in the accompanying financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

8. OTHER LONG-TERM LIABILITIES

The following is a summary of transactions for other long-term liabilities during fiscal year ended June 30, 2004:

Description	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Self-Insurance and						
Contingent Liability	\$ 13,830,000	\$ -	\$ (1,503,000)	\$ 12,327,000	\$ 3,203,257	\$ 9,123,743
Compensated Absences	7,124,180	6,696,100	(6,564,297)	7,255,983	6,883,258	372,725
Total Governmental Activities	20,954,180	6,696,100	(8,067,297)	19,582,983	10,086,515	9,496,468
Business-Type Activities:						
Landfill Postclosure Care Costs	4,226,097	-	(132,820)	4,093,277	-	4,093,277
Total	<u>\$ 25,180,277</u>	<u>\$ 6,696,100</u>	<u>\$ (8,200,117)</u>	<u>\$ 23,676,260</u>	<u>\$ 10,086,515</u>	<u>\$ 13,589,745</u>

A. Self-Insurance And Contingent Liabilities

There are several pending lawsuits in which the City is involved. The City, however, estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$25,000,000 in general liability coverage, subject to \$500,000 self-insured retention (SIR), through California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. The City has statutory limits coverage for workers' compensation claims and \$1,000,000 in coverage for employer's liability claims, subject to a \$275,000 SIR, through Discover Property & Casualty Insurance Company. Unemployment claims paid by the City are reimbursed dollar-for-dollar by the State.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

8. OTHER LONG-TERM LIABILITIES, Continued

A. Self-Insurance And Contingent Liabilities, Continued

The CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2004 may be obtained from CJPRMA at 6140 Stoneridge Mall Road, Pleasanton, CA 94588-3235.

The City's risk management activities are accounted for in the internal service funds. Charges to the general fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates.

A summary of the changes in general and workers' compensation liabilities for the past three fiscal years follows:

	2003-2004	2002-2003	2001-2002
General:			
Liability at beginning of fiscal year	\$ 1,040,000	\$ 1,066,000	\$ 943,000
Claims paid	(347,000)	(344,000)	(205,000)
Current fiscal year claims and changes in estimated liability	266,000	318,000	328,000
Liability at end of fiscal year	<u>\$ 959,000</u>	<u>\$ 1,040,000</u>	<u>\$ 1,066,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 12,790,000	\$ 13,267,000	\$ 13,396,000
Claims paid	(2,312,000)	(2,063,000)	(2,119,000)
Current fiscal year claims and changes in estimated liability	890,000	1,586,000	1,990,000
Liability at end of fiscal year	<u>\$ 11,368,000</u>	<u>\$ 12,790,000</u>	<u>\$ 13,267,000</u>
Total estimated claims payable	<u>\$ 12,327,000</u>	<u>\$ 13,830,000</u>	<u>\$ 14,333,000</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

8. OTHER LONG-TERM LIABILITIES, Continued

A. Self-Insurance And Contingent Liabilities, Continued

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 4%, on the carrying amount of estimated general liability of \$1,008,000 and on the carrying amount of estimated workers' compensation liability of \$14,140,000.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

B. Compensated Absences

The City's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is combined with governmental activities in the Government-Wide Financial Statements. Charges for compensated absences are accounted for in the Employee Benefits Internal Service Fund. All other funds are charged based on salary and related expenditures.

The total amount of the liability at June 30, 2004 was \$7,255,983.

C. Landfill Postclosure Care Costs

On September 30, 1993, the City used up all of its landfill's remaining capacity. In accordance with state and federal laws and regulations, the City placed a final cover on its landfill and is required to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. At June 30, 2004 a liability in the amount of \$4,093,277 has been recognized based on the estimated remaining postclosure care costs that will be incurred over the next 20 years to meet the regulatory requirements. Postclosure care costs exceeding those required to meet regulatory requirements are incurred each year to meet local community standards. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2004. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. These landfill closure and postclosure care costs will be financed by a combination of the Solid Waste Management Fund's existing cash and investments and future refuse collection charges.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**9. COMMITMENTS**

At June 30, 2004, the City had outstanding construction commitments for the following projects:

Project	Contract Amount	Outstanding Amount
Sunnyvale Downtown Plaza	\$ 5,654,300	\$ 1,328,162
City Hall Annex Heating, Ventilation and Air Conditioning	698,821	600,124
Pavement and Reconstruction of City Streets	873,399	581,990
Ortega Park Improvements	569,250	491,225
Lakewood Park Improvements	549,739	372,290
Water Main Replacement - Gresham, Cypress, Britton and Duane	259,867	259,867
Golf Cart Storage Bin	469,486	227,616
Total Commitments	\$ 9,074,862	\$ 3,861,274

10. RETIREMENT PLAN**Plan Description**

All permanent employees participate in the California Public Employees' Retirement System (PERS) per the City's charter. PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous participants are required to contribute 7% of annual covered salary and safety participants are required to contribute 11.25% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$6,732,508 for the fiscal year ended June 30, 2004. The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For the fiscal year ending June 30, 2004, the City contribution was 0.557% for miscellaneous employees and 16.875% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established annually and may be amended by PERS.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**10. RETIREMENT PLAN, Continued****Annual Pension Cost**

For the fiscal year ending June 30, 2004 the City's annual pension cost of \$4,547,087 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2001, was 27 years for miscellaneous and 7 years for safety employees for prior and current service unfunded liability.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)		Total APC	Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Plan	Safety Plan			
06/30/04	\$ 307,799	\$ 4,239,288	\$ 4,547,087	100%	\$ -
06/30/03	-	1,713,578	1,713,578	100%	-
06/30/02	-	1,641,878	1,641,878	100%	-

11. OTHER POSTEMPLOYMENT BENEFITS

By City Council resolution, the City provides medical health care benefits for retirees who elect the option under the Public Employees Medical and Hospital Care Act. The medical coverage and City contribution remain the same as at the time of retirement. Employees who have worked with an agency participating in PERS a minimum of five years are eligible. Plan participants as of June 30, 2004 totaled 506.

The cost of retiree health care is recognized as an expenditure as premiums are paid. City costs in fiscal year 2003-2004 amounted to \$2,590,339. Benefits are accounted for in the internal service funds. The City considers a portion of net assets in the Employee Benefits Internal Service fund set aside to estimate future medical obligations, which amounted to \$10,172,629 at June 30, 2004.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

12. INTERFUND TRANSFERS

Fund Financial Statements

An interfund transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement. Examples include transfer of funds from the general fund or a special revenue fund to a debt service fund to support principal and interest payments, transfer of funds as part of an operating subsidy, or transfer from an enterprise fund to the general fund to finance general government expenditures. Listed below are interfund transfers for the year ended June 30, 2004:

	Transfers In							Totals
	Governmental Activities					Business-Type Activities		
	Major Funds			Nonmajor Funds	Internal Service Funds	SMaRT Station®	Community Recreation	
	General Fund	Redevelopment Debt Service	City Projects					
Transfers Out								
Governmental Activities								
Major Funds:								
General Fund	\$ -	\$ -	\$ 384,302	\$ 3,269,671	\$ 1,551,830	\$ -	\$ 3,187,371	\$ 8,393,174
Employment Development	70,000	-	-	-	-	-	-	70,000
City Projects	1,250,000	-		6,847	996,290	-	-	2,253,137
Nonmajor Funds:								
Other Funds	211,526	2,471,760	1,854,347	830,647	512,634	-	30,842	5,911,756
Internal Service Funds	390,786	-	-	490,695	109,685	-	-	991,166
Business-Type Activities								
Major Funds:								
Water Supply and Distribution	2,089,225	-	-	584,142	90,029	-	-	2,763,396
Wastewater Management	2,439,447	-	16,810	590,319	195,541	-	-	3,242,117
Solid Waste Management	2,126,541	-	-	45,975	18,910	1,005,332	-	3,196,758
SMaRT Station®	2,810	-	-	-	-	-	-	2,810
Community Recreation	911,330	-	-	339,182	-	-	-	1,250,512
Totals	\$ 9,491,665	\$ 2,471,760	\$ 2,255,459	\$ 6,157,478	\$ 3,474,919	\$ 1,005,332	\$ 3,218,213	\$28,074,826

Government-Wide Financial Statements

Per GASB Statement No. 34, all interfund transfers within governmental activities and business-type activities are eliminated. Transfers between governmental and business-type activities are shown on the Statement of Activities and Changes in Net Assets and eliminated on the total column.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**13. CLASSIFICATION OF NET ASSETS****Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, City Council places restrictions on Capital Projects, Debt Service, and Specific Projects and Programs. Specific Restricted Projects and Programs include permanent fund net assets, which are all nonexpendable principal.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

Fund Financial Statements

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

In Governmental Funds, fund reservations are presented as a component of fund balance as follows:

	General Fund	Employment Development	Redevelopment Debt Service	Nonmajor Governmental Funds
Housing Mitigation	\$ -	\$ -	\$ -	\$ 5,157,446
Public Safety	-	-	-	1,708,888
Low and Moderate Income Housing	-	-	-	5,492,253
Restricted Donations	-	233,839	-	1,327,022
Advances to Other Funds Net of Deferred Revenue	35,863,370	-	-	-
Long-term Receivables Net of Deferred Revenue	5,094,053	-	-	-
Inventories and Prepayments	338,358	2,875	-	27,737
Assets Held for Resale	1,381,077	-	-	-
Land Acquisition	3,000,000	-	-	-
Debt Service	-	-	1,932,534	2,167,586
Total	<u>\$ 45,676,858</u>	<u>\$ 236,714</u>	<u>\$ 1,932,534</u>	<u>\$ 15,880,932</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

13. CLASSIFICATION OF NET ASSETS , Continued

Fund reservations are described as follows:

Reserved for Housing Mitigation represents the unspent portion of housing mitigation fees paid by developers. The Sunnyvale Municipal Code requires certain developers to pay housing mitigation fees when residential units are constructed. These fees paid must be used in the construction or purchase of low and moderate-income housing.

Reserved for Public Safety is used to account for drug forfeiture monies in the Asset Forfeiture Special Revenue Fund that, by Federal or State law, must be expended on drug enforcement activities. Also included in the reserve is the fund balance of the Police Service Augmentation Fund, which accounts for law enforcement grants from State and Federal governments.

Reserved for Low and Moderate Income Housing represents the portion of the Redevelopment Agency's property tax increment revenues which are required by State law to be spent on housing for low and moderate income households.

Reserved for Restricted Donations represents contributions from other agencies and citizens that are legally restricted by the donors.

Reserved for Advances to Other Funds and Long-term Receivables, Net of Deferred Revenue reflect the balances due, net of deferred interest revenues, from other funds and other parties that are long-term in nature and do not represent available expendable resources of the City.

Reserved for Inventories and Prepayments reflect the carrying value of these assets. Since these assets are goods that have already been purchased, they do not represent available spendable resources of the City.

Reserved for Assets Held for Resale reflects the carrying value of properties acquired throughout the years held for economic development or other restricted purposes and represents resources unavailable for appropriations.

Reserved for Land Acquisition represents the proceeds received from downtown land exchange that will be used for purchase of downtown strategic parcels for economic development.

Reserved for Debt Service represents the portion of retained earnings that is legally restricted as per the bond covenants.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**13. CLASSIFICATION OF NET ASSETS, Continued**

In Governmental Funds, unreserved fund balances are designated or undesignated because of deficit fund balance as follows:

	General Fund	Redevelopment Debt Service	City Projects	Nonmajor Governmental Funds
Unrealized Gains	\$ -	\$ -	\$ 101,943	\$ 6,557
Contingencies	18,102,044	-	-	-
Service Level Stabilization	4,525,511	-	-	-
Current Capital Projects	2,211,011	-	11,211,244	22,828,821
Nonrecurring Events	654,928	-	-	-
20-Year Resource Allocation Plan	43,465,793	-	-	16,135,819
Unreserved and Undesignated		(48,707,925)	-	(5,492,703)
	<u>\$ 68,959,287</u>	<u>\$ (48,707,925)</u>	<u>\$ 11,313,187</u>	<u>\$ 33,478,494</u>

Designated for Unrealized Gains represents management's intent not to liquidate investments to realize the reported gains in the following year.

Designated for Contingencies is established by City Council in the General Plan Fiscal Sub-element to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

Designated for Service Level Stabilization are funds set aside by City Council to cover service changes that may result from any of the following: increase in cost of existing services due to inflationary pressures above the forecast level, cost of implementing federal or state mandates, expansion due to higher demand for operating services from the community.

Designated for Current Capital Projects reflects the amount needed to reappropriate uncompleted capital projects, special projects, and miscellaneous equipment needs in the following fiscal year.

Designated for Nonrecurring Events represents one-time money from prior year's operating results, which has been set aside for significant unfunded capital projects.

Designated for 20-Year Resource Allocation Plan are the amounts that assure, based on current estimates, the feasibility of the City's 20-year plan. This reserve prevents the City from adding services at the top of the economic cycle that cannot be sustained, and it allows the City to maintain the Council-approved service levels during economic downturns. All funds not otherwise reserved or designated are designated for this purpose.

Unreserved and undesignated amounts reflect the deficit fund balances in the Redevelopment Agency Debt Service Fund caused by long-term advances from the General Fund, and the Redevelopment Agency Special Revenue Fund due to the State mandated 20% of tax increment revenues set aside for low and moderate income housing.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**13. CLASSIFICATION OF NET ASSETS, Continued**

In Proprietary funds Net Assets is separated into the three categories as explained above in the Government-Wide classification of Net Assets. The unrestricted portion of Net Assets is further earmarked by City Council and Management as follows:

	Water	Wastewater	Solid Waste	SMaRT Station	Community Recreation	Internal Service Funds
Contingencies	\$ 3,794,549	\$ 2,887,189	\$ 2,444,421	\$ -	\$ -	\$ -
Debt Service	1,127,425	1,525,904	62,914	-	-	-
Equipment Replacement	-	-	-	-	-	5,009,592
Capital Projects	790,973	1,052,077	624,401	290,129	-	614,041
Rate Stabilization	290,457	4,552,893	4,364,910	-	-	-
Equipment Replacement Sinking Fund	-	-	-	-	-	6,135,583
Capital Replacement Sinking Fund	-	-	-	3,596,233	-	-
20-Year Resource Allocation Plan	-	-	-	363,740	1,305,091	23,468,249
Funded by Rates	(1,561,461)	(18,675,855)	(26,007,667)	-	-	-
Total	<u>\$ 4,441,943</u>	<u>\$ (8,657,792)</u>	<u>\$ (18,511,021)</u>	<u>\$ 4,250,102</u>	<u>\$ 1,305,091</u>	<u>\$ 35,227,465</u>

Contingencies are established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

Debt Service represents the portion of retained earnings that is legally restricted as per the bond covenants.

Equipment Replacement represents the amounts needed to reappropriate in the following fiscal year to replace equipment in the Internal Service Funds.

Capital Projects reflects the amounts needed to reappropriate uncompleted capital projects, and special projects in the following fiscal year.

Rate Stabilization represents the restrictions on the use of some of the enterprise funds' net resources in order to minimize the fluctuation of rates charged to the City's utility customers.

Equipment Replacement Sinking Fund represents amounts in the General Services Internal Service Fund that are being accumulated for the replacement of old equipment.

Capital Replacement Sinking Fund represents amounts in the SMaRT Station Fund set aside for future capital asset needs.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004**14. DEFICIT NET ASSETS AND FUND EQUITY****Government-Wide Financial Statements**

The business-type activities in the Government-Wide Financial Statements had deficit unrestricted net assets of \$17,171,667. This net total deficit is comprised of positive net assets in all business type activities except for deficits in the following activity:

Wastewater Management	\$ (8,657,792)
Solid Waste Management	(18,511,021)

These deficit unrestricted net assets are due to liabilities incurred by these activities from advances made by the General Fund. These advances were used to either acquire or improve capital assets and to keep rates stable for citizens affected by these activities. The deficit net assets will be eliminated as repayments are scheduled to be made to the General Fund.

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2004:

Major Funds:	
Redevelopment Agency Debt Service Fund	\$ (46,775,391)
Solid Waste Management Enterprise Fund	(17,682,107)
Non-Major Funds:	
Redevelopment Agency Special Revenue Fund	(5,492,703)

The recording of long-term advances from the General Fund to the Redevelopment Agency has caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2004, total advances amounted to \$48,717,378 that includes accrued unpaid interest. The deficit is expected to be funded by transfers from the Redevelopment Agency Special Revenue Fund as tax increment revenues are collected in that fund.

The deficit fund balance equity in the Redevelopment Agency Special Revenue Fund has been caused by the State mandated 20% of tax increment revenues set aside for low and moderate income housing. The deficit is expected to be funded by collection of property taxes after preexisting debt obligations are paid.

The deficit in the Solid Waste Management Fund is due to several transactions. The General Fund has made advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. The deficit is also partially explained by the Governmental Accounting Standards Board Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, at the time a landfill is closed, all estimated total future costs related to closure and postclosure care. This fund also transferred net assets of \$2.5 million to the SMaRT Station Fund that was created in fiscal year 1996-97. Annually, through transfers, this fund pays the SMaRT Station Fund 55% of the Solid Waste Revenue Bonds, Series 2003 debt service and also pays the General Fund for its general government support services. The deficit is expected to be funded by charges for services.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2004

15. PRIOR PERIOD ADJUSTMENTS

Fund balances and net assets of June 30, 2003 were restated as follows:

Government-Wide Financial Statements

The City has recorded the following prior period adjustments to correct prior year accounting. Accordingly, the City's equity as of July 1, 2003 has been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
Governmental activities	\$ 587,944,040	\$ 2,985,836	\$ 590,929,876
Business-type Activities	48,666,164	4,265,899	52,932,063
Total	\$ 636,610,204	\$ 7,251,735	\$ 643,861,939

Fund Financial Statements

	Fund Balances As Originally Stated	Prior Period Adjustments	Fund Balances As Restated
<u>Governmental Funds:</u>			
General Fund	\$ 120,693,562	\$ 2,985,836	\$ 123,679,398
Employment Development	610,991	-	610,991
Redevelopment Debt Service	(43,918,776)	-	(43,918,776)
City Projects	18,105,537	-	18,105,537
Nonmajor Funds	49,201,253	-	49,201,253
Total Governmental Funds	\$ 144,692,567	\$ 2,985,836	\$ 147,678,403

	Net Assets As Originally Stated	Prior Period Adjustments	Net Assets As Restated
<u>Proprietary Funds:</u>			
Water Supply and Distributions	\$ 29,794,808	\$ 1,721,703	\$ 31,516,511
Wastewater Management	13,227,804	1,111,318	14,339,122
Solid Waste Management	(15,621,081)	1,432,878	(14,188,203)
SMaRT Station	4,756,785	-	4,756,785
Community Recreation	16,507,848	-	16,507,848
Internal Service Funds	47,623,366	-	47,623,366
Total Proprietary Funds	\$ 96,289,530	\$ 4,265,899	\$ 100,555,429

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2004

15. PRIOR PERIOD ADJUSTMENTS, Continued

Governmental Funds:

In accordance with Governmental Accounting Standards Board Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*”, the General Fund had the following prior period adjustment:

- Beginning taxes receivable and fund balance were increased by \$2,985,836 because revenues from sales taxes were understated in fiscal year 2002-03.

Proprietary Funds:

- Utility revenues (water, wastewater, and solid waste) are recorded as billed to customers on a cyclical basis. In prior years, amounts unbilled at June 30 were not accrued. In fiscal year 2004, charges for utility services rendered but unbilled at June 30 were accrued. The beginning receivables and net assets of the Water Supply and Distribution Enterprise Fund, Wastewater Management Enterprise Fund, and Solid Waste Management Enterprise Fund were increased by \$1,721,703, \$1,111,318, and \$1,432,878 respectively.

Required Supplementary Information

Required Supplementary Information
Fiscal Year Ended June 30, 2004

BUDGETARY POLICY AND CONTROL

Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Budgetary Fund Balance				
July 1, 2003, as Restated	\$ 123,679,398	\$ 123,679,398	\$ 123,679,398	\$ -
Resources (inflows):				
Property Taxes	23,379,998	24,091,920	23,580,170	(511,750)
Sales and Other Taxes	37,343,241	35,439,812	37,096,518	1,656,706
Franchise Fees	5,421,740	5,393,252	5,520,536	127,284
Intergovernmental Revenues	8,024,537	6,334,015	6,679,086	345,071
Permits and Licenses	2,483,577	3,654,247	4,251,724	597,477
Fines and Forfeitures	682,876	691,978	750,000	58,022
Special Assessments	-	-	136,354	136,354
Service Fees	1,574,748	1,658,920	2,276,087	617,167
Use of Money and Property	5,203,697	4,944,211	4,191,631	(752,580)
Repayment of Interfund Advances	1,030,894	1,030,894	2,102,511	1,071,617
Other Revenues	122,743	163,839	175,579	11,740
Transfers In	8,160,368	9,489,462	9,498,115	8,653
Total Resources	93,428,419	92,892,550	96,258,311	3,365,761
Charges to appropriations (outflows):				
Planning and Management	15,073,758	15,608,735	14,114,454	1,494,281
Public Safety	51,547,798	54,308,909	53,194,932	1,113,977
Community Development	13,625,932	13,843,370	13,137,029	706,341
Transportation	5,284,328	5,367,708	5,251,749	115,959
Socioeconomic	481,257	506,663	317,725	188,938
Cultural	6,674,422	7,363,162	6,500,804	862,358
Environmental Management	1,273,513	1,272,730	1,131,279	141,451
Capital Outlay	134,675	400,639	140,416	260,223
Transfers Out	7,348,691	8,915,446	8,410,423	505,023
Total charges to appropriations	101,444,374	107,587,362	102,198,811	5,388,551
Excess of resources over (under) charges to appropriations	(8,015,955)	(14,694,812)	(5,940,500)	8,754,312
Budgetary Fund Balance, June 30, 2004	<u>\$ 115,663,443</u>	<u>\$ 108,984,586</u>	<u>\$ 117,738,898</u>	<u>\$ 8,754,312</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2004

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 610,991	\$ 610,991	\$ 610,991	\$ -
Resources (inflows):				
Intergovernmental Revenues	12,839,681	12,371,849	12,006,686	(365,163)
Service Fees	-	-	25,387	25,387
Other Revenues	200,000	200,000	10,879	(189,121)
Total Resources	13,039,681	12,571,849	12,042,952	(528,897)
Charges to appropriations (outflows):				
Socioeconomic	12,969,681	12,501,849	12,347,229	154,620
Transfers Out	70,000	70,000	70,000	-
Total charges to appropriations	13,039,681	12,571,849	12,417,229	154,620
Excess of resources over (under) charges to appropriations	-	-	(374,277)	(374,277)
Budgetary Fund Balance, June 30, 2004	\$ 610,991	\$ 610,991	\$ 236,714	\$ (374,277)

Note to Required Supplementary Information

**NOTE A - Explanation of Differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

	General Fund	Employment Development Fund
Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 96,258,311	\$ 12,042,952
Differences - Budget to GAAP		
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(2,102,511)	-
Change in fair value of investments is not a budgetary resource	(2,254,315)	-
Inflow of resources from activities that are not budgeted	39,670	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,498,115)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 82,443,040	\$ 12,042,952
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 102,198,811	\$ 12,417,229
Differences - Budget to GAAP		
Interfund advances is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,216,678)	-
Uses of resources by activities that are not budgeted	13,074	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(8,410,423)	(70,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 92,584,784	\$ 12,347,229

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2004

BUDGETARY INFORMATION

The City's budget is adopted based on generally accepted accounting principles (GAAP) with some exceptions as presented in the preceding Note to Required Supplementary Schedule.

Sunnyvale's approach to budget preparation is a central part of the City's Planning and Management System (PAMS). Key elements of the PAMS framework include:

- Long-range strategic planning (General Plan Elements and Sub-Elements),
- Long-term financial planning (Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (two-year action budget),
- Outcome measurement of service delivery,
- The Council Study Issues process,
- Performance "contracts" for Management,
- Annual performance reporting and evaluation, and
- Performance audits based on risk assessments.

The City in establishing the budgetary data reflected in its financial statements follows the procedures listed below:

- During December of each year, a public hearing (not legally required) is held by the City Council to obtain budgetary comments from the public early in the budget process.
- During May of each year, the City Manager submits to the City Council, a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than May 25.
- The City Manager's budget includes recommended expenditures for equipment, operating costs, debt service costs, and capital and special projects for the ensuing year.
- During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
- During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.
- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. Beginning July 1, 2003, the legal level of control is placed by the City Council at the department and fund level, and on an exception basis, the level of control will be at the program level when adjustments are above specified reappropriation thresholds. Appropriations lapse at year-end to the extent they have not been expended.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2004

BUDGETARY INFORMATION, Continued

- Budgets are legally adopted for all governmental funds except for the Special Assessment Bonds Debt Service Fund, the Swirsky Youth Opportunity and the Fremont Pool Permanent Funds.

The Special Assessment Bonds Debt Service Fund has no adopted budget because the City is only required to make debt service payments to the extent of revenues collected from property owners.

The Swirsky Youth Opportunity and Fremont Pool Permanent Funds are not budgeted as the revenues of these funds can only be used for specific purposes.

Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.

- Budgeted amounts reported are those as originally adopted June 17, 2003 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted. The City's policy is to reappropriate uncompleted capital projects into the next fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund appropriations budget (outflows) was amended during the fiscal year to reflect carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications resulting from carryover appropriations totaled \$5,346,523 while \$425,077 was appropriated throughout the fiscal year for various unanticipated expenditures. Funding sources for these amendments included grant revenues, fiscal uncertainties reserve account, non-recurring events reserve account and General Fund reserves. The debt service had been appropriated in the General Fund prior to this change. Transfers from the General Fund to various other funds increased by \$371,388 for unanticipated expenditures.

Resources (inflows) of the General Fund were also amended during the fiscal year due to carryover of anticipated revenue for capital and special projects and unanticipated cost savings. Amendments related to carryover of resources related to capital and special projects totaled \$118,591. Additionally, the budgets for citywide revenues were amended as part of the budget development process. These amendments were incorporated as part of the City's Recommended Budget for FY 2004/2005. Adjustments were made to the City's budgeted revenue amounts in order to more appropriately reflect the actual trends based upon year-to-date information.

The Employment Development Special Revenue Fund budget was decreased from \$12,969,681 to \$12,501,849. This amendment was required to align the appropriations budget with the grant revenue received. Furthermore, the resources were also amended to reflect the grant revenue received. The resources reflected in the original budget was based on received revenue; anticipated decline in grant revenue was not reflected.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2004**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system, water supply and distribution system, wastewater management system, solid waste management system, and site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2001, the City conducted a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right-of-way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street.

The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2004**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued**

The City Policy is to achieve an average rating of 75 for all streets, which is a “very good” rating. As of June 30, 2004, the City’s street system was rated at a PCI index of 84 on the average with the detail condition as follows:

Condition	Rating
Excellent	50%
Very Good	35%
Good	12%
Fair	2%
Poor	1%

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$2,436,000 on street maintenance for the fiscal year ended June 30, 2004. These expenditures delayed deterioration, and maintained the conditions of the City streets. The City has estimated that the amount of annual expenditures required to maintain the City’s streets at the average PCI rating of 75 through the year 2005 is a minimum of approximately \$3,300,000. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last three years is presented below.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Index
2001-2002	\$ 2,881,000	\$ 3,493,000	86
2002-2003	2,528,000	2,350,000	82
2003-2004	2,503,000	2,436,000	84

The City has an on-going street rehabilitation program that is intended to maintain the condition rating of the City Streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System. As of June 30, 2004, approximately 22% of the City’s streets were rated below the average standard of 75. Total deferred maintenance identified in the Pavement Management System amounted to under \$1 million for all streets.

**Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2004****PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF FUNDING PROGRESS****MISCELLANEOUS PLAN****Retirement Program:**

<u>Actuarial Valuation Date*</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/2001	\$ 181,653,245	\$ 149,244,157	\$ (32,409,088)	121.7%	\$ 40,283,639	(80.5)%
06/30/2002	174,790,746	164,614,519	(10,176,227)	106.2%	47,284,379	(21.5)%
06/30/2003	177,821,892	195,323,513	17,501,621	91.0%	54,362,624	32.2%

SAFETY PLAN**Retirement Program:**

<u>Actuarial Valuation Date*</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/2001	\$ 200,709,746	\$ 199,894,863	\$ (814,883)	100.4%	\$ 21,387,776	(3.8)%
06/30/2002	189,487,210	215,552,037	26,064,827	87.9%	21,765,570	119.8%
06/30/2003	191,803,930	233,131,906	41,327,976	82.3%	23,820,307	173.5%

*Based on the latest actuarial valuation.



Supplementary Information

Supplementary Information



Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue funds used by the City in this report are listed below:

The ***Community Development Block Grant Fund*** accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

The ***Housing Fund*** accounts for local housing mitigation revenues and HOME grant funds from the federal government. Funds are expended on special and capital projects designed to achieve the City's goal of affordable housing and community development.

The ***Park Dedication Fund*** accounts for funds that developers contribute towards the acquisition, construction or renovation of neighborhood parks.

The ***Asset Forfeiture Fund*** accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. Asset forfeiture funds are used for law enforcement purposes.

The ***Police Services Augmentation Fund*** accounts for monies received from the federal and state governments, which are expended to enhance law enforcement services.

The ***Gas Tax Fund*** accounts for gas tax revenues received from the State and expended for construction and maintenance of City streets.

The ***Transportation Development Act (TDA) Fund*** accounts for activities related to the TDA funds received from the State through the Metropolitan Transportation Commission, which are expended on pedestrian and bicycle projects.

The ***Youth and Neighborhood Services Fund*** accounts for revenues and operating program expenditures of the Columbia Neighborhood Center, a partnership between the City, the Sunnyvale School District and Advanced Micro Devices, a private corporation.

The ***Redevelopment Agency Fund*** accounts for the activities of the Redevelopment Agency of the City of Sunnyvale, which was created by the City council to prepare and carry out redevelopment plans for designated areas of the City.

Nonmajor Governmental Funds

The ***Low and Moderate Income Housing Fund*** accounts for funds deposited by the Redevelopment Agency of the City of Sunnyvale to improve and increase the supply of low and moderate income housing within the City.

The ***Patent Library Fund*** accounts for services and revenues of the Sunnyvale Center for Information, Innovation, and Ideas (SCI3).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

The ***Swirsky Youth Opportunity Fund*** accounts for proceeds received from the estate of Ms. Dorolou Pierson Swirsky dedicated to providing recreation opportunities for disadvantaged youth.

The ***Fremont Pool Fund*** accounts for private donations to be used for the maintenance and operations of the Fremont High School swimming pool.

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The specific debt service funds used by the City in this report are listed below:

The ***ABAG Certificates of Participation Fund*** is used to accumulate funds for the payment of the 1993 and 1998 Certificates of Participation. Debt service is financed with lease revenues from the Sunnyvale School District.

The ***Special Assessment Bonds Fund*** is used to accumulate monies for payment of the City's Mary Avenue Phase IV and Phase V Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

The ***Parking District Bonds Fund*** is used to accumulate funds for payment of the 1964 Parking District Municipal Improvement Bonds. Debt service is financed with property tax revenues.

Nonmajor Governmental Funds

The ***Government Center Certificates of Participation Fund*** is used to accumulate funds for the payment of the Certificates of Participation issued in 2001 to finance the acquisition of land and buildings for possible construction of a new government center. Debt service is financed with lease payments from the General Fund, the Water Supply and Distribution Fund, the Wastewater Management Fund and the Solid Water Management Fund.

Capital Projects Funds are used to account for major capital acquisition and construction activities. The specific capital project funds used by the City in this report are listed below:

The ***Infrastructure Renovation and Replacement Fund*** accounts for funds used for the City's long-term infrastructure renovation and replacement program.

The ***Redevelopment Agency Projects Fund*** accounts for the use of financial resources for Redevelopment Agency capital projects.

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Assets:				
Cash and Investments Held by City	\$ 1,103,024	\$ 11,711,950	\$ 1,641,611	\$ 2,037,401
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	-	182,058	16,605	20,259
Intergovernmental Receivables	93,525	61,856	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	27,359	-	-
Housing Loans Receivable	10,663,955	7,615,985	-	-
Assets Held for Resale	-	-	-	-
Total Assets	\$ 11,860,504	\$ 19,599,208	\$ 1,658,216	\$ 2,057,660
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 76,009	\$ 13,547	\$ 938	\$ 2,864
Refundable Deposits	-	-	987,106	-
Due to Other Funds	-	-	-	-
Deferred Revenues	10,648,015	7,680,280	-	-
Total Liabilities	10,724,024	7,693,827	988,044	2,864
Fund Balances:				
Reserved :				
Housing Mitigation	-	5,157,446	-	-
Public Safety	-	-	-	1,692,245
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	-	27,359	-	-
Debt Service	-	-	-	-
Total Reserved	-	5,184,805	-	1,692,245
Unreserved, Designated:				
Unrealized Gains (Losses)	-	-	-	-
Current Capital Projects	686,282	5,195,475	-	362,551
20-Year Resource Allocation Plan	450,198	1,525,101	670,172	-
Total Unreserved, Designated	1,136,480	6,720,576	670,172	362,551
Unreserved	-	-	-	-
Total Fund Balances (Deficit)	1,136,480	11,905,381	670,172	2,054,796
Total Liabilities and Fund Balances	\$ 11,860,504	\$ 19,599,208	\$ 1,658,216	\$ 2,057,660

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Special Revenue					
Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services	Redevelopment Agency
\$ 21,973	\$ 478,296	\$ 4,995,222	\$ -	\$ 825,802	\$ 74,313
-	-	-	-	-	-
164	4,805	50,134	-	36,937	14,755
-	-	301,985	35,433	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 22,137</u>	<u>\$ 483,101</u>	<u>\$ 5,347,341</u>	<u>\$ 35,433</u>	<u>\$ 862,739</u>	<u>\$ 89,068</u>
\$ -	\$ 2,903	\$ 92,317	\$ -	\$ 7,290	\$ 89,518
-	-	-	-	-	-
-	-	-	35,433	-	5,492,253
-	-	-	-	-	-
<u>-</u>	<u>2,903</u>	<u>92,317</u>	<u>35,433</u>	<u>7,290</u>	<u>5,581,771</u>
-	-	-	-	-	-
16,643	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,494	-	-	-	-	-
-	161,287	718,298	-	-	-
-	318,911	4,536,726	-	855,449	-
<u>5,494</u>	<u>480,198</u>	<u>5,255,024</u>	<u>-</u>	<u>855,449</u>	<u>-</u>
-	-	-	-	-	(5,492,703)
<u>22,137</u>	<u>480,198</u>	<u>5,255,024</u>	<u>-</u>	<u>855,449</u>	<u>(5,492,703)</u>
<u>\$ 22,137</u>	<u>\$ 483,101</u>	<u>\$ 5,347,341</u>	<u>\$ 35,433</u>	<u>\$ 862,739</u>	<u>\$ 89,068</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Special Revenue			Permanent
	Low and Moderate Income Housing	Patent Library	Total	Swirsky Youth Opportunity
Assets:				
Cash and Investments Held by City	\$ -	\$ 90,133	\$ 22,979,725	\$ 521,888
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	-	5,885	331,602	5,298
Intergovernmental Receivables	-	-	492,799	-
Due from Other Funds	5,492,253	-	5,492,253	-
Inventories and Prepayments	-	-	27,359	-
Housing Loans Receivable	-	-	18,279,940	-
Asset Held for Resale	-	-	-	-
Total Assets	\$ 5,492,253	\$ 96,018	\$ 47,603,678	\$ 527,186
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,043	\$ 286,429	\$ -
Refundable Deposits	-	50,498	1,037,604	-
Due to Other Funds	-	-	5,527,686	-
Deferred Revenues	-	-	18,328,295	-
Total Liabilities	-	51,541	25,180,014	-
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	5,157,446	-
Public Safety	-	-	1,708,888	-
Low and Moderate Income Housing	5,492,253	-	5,492,253	-
Restricted Donations	-	-	-	527,186
Inventories and Prepayments	-	-	27,359	-
Debt Service	-	-	-	-
Total Reserved	5,492,253	-	12,385,946	527,186
Unreserved, Designated:				
Unrealized Gains (Losses)	-	1,063	6,557	-
Current Capital Projects	-	-	7,123,893	-
20-Year Resource Allocation Plan	-	43,414	8,399,971	-
Total Unreserved, Designated	-	44,477	15,530,421	-
Unreserved	-	-	(5,492,703)	-
Total Fund Balances (Deficit)	5,492,253	44,477	22,423,664	527,186
Total Liabilities and Fund Balances	\$ 5,492,253	\$ 96,018	\$ 47,603,678	\$ 527,186

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Permanent		Debt Service			
Fremont Pool	Total	ABAG Certificates of Participation	Special Assessment Bonds	Parking District Bonds	Government Center Certificates of Participation
\$ 791,853	\$ 1,313,741	\$ -	\$ 473,230	\$ -	\$ 6,750
-	-	429,230	-	-	1,275,373
7,983	13,281	92	4,702	-	15
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	378	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 799,836</u>	<u>\$ 1,327,022</u>	<u>\$ 429,322</u>	<u>\$ 478,310</u>	<u>\$ -</u>	<u>\$ 1,282,138</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,806
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,806</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
799,836	1,327,022	-	-	-	-
-	-	-	378	-	-
-	-	429,322	477,932	-	1,260,332
<u>799,836</u>	<u>1,327,022</u>	<u>429,322</u>	<u>478,310</u>	<u>-</u>	<u>1,260,332</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>799,836</u>	<u>1,327,022</u>	<u>429,322</u>	<u>478,310</u>	<u>-</u>	<u>1,260,332</u>
<u>\$ 799,836</u>	<u>\$ 1,327,022</u>	<u>\$ 429,322</u>	<u>\$ 478,310</u>	<u>\$ -</u>	<u>\$ 1,282,138</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Debt Service		Capital Projects	
		Infrastructure Renovation and Replacement	Redevelopment Agency Projects	
	Total			Total
Assets:				
Cash and Investments Held by City	\$ 479,980	\$ 21,977,224	\$ 1,499,538	\$ 23,476,762
Cash and Investments Held by Fiscal Agent	1,704,603	-	-	-
Receivables, Net	4,809	227,194	-	227,194
Intergovernmental Receivables	-	238,454	-	238,454
Due from Other Funds	-	-	-	-
Inventories and Prepayments	378	-	-	-
Housing Loans Receivable	-	-	-	-
Assets Held for Resale	-	-	-	-
Total Assets	\$ 2,189,770	\$ 22,442,872	\$ 1,499,538	\$ 23,942,410
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 21,806	\$ 501,634	\$ -	\$ 501,634
Refundable Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	21,806	501,634	-	501,634
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	-	-
Public Safety	-	-	-	-
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	378	-	-	-
Debt Service	2,167,586	-	-	-
Total Reserved	2,167,964	-	-	-
Unreserved, Designated:				
Unrealized Gains (Losses)	-	-	-	-
Current Capital Projects	-	14,205,390	1,499,538	15,704,928
20-Year Resource Allocation Plan	-	7,735,848	-	7,735,848
Total Unreserved, Designated	-	21,941,238	1,499,538	23,440,776
Unreserved	-	-	-	-
Total Fund Balances (Deficit)	2,167,964	21,941,238	1,499,538	23,440,776
Total Liabilities and Fund Balances	\$ 2,189,770	\$ 22,442,872	\$ 1,499,538	\$ 23,942,410

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**Total
Nonmajor
Governmental
Funds**

\$	48,250,208
	1,704,603
	576,886
	731,253
	5,492,253
	27,737
	18,279,940
	-
\$	75,062,880

\$	809,869
	1,037,604
	5,527,686
	18,328,295
	25,703,454

	5,157,446
	1,708,888
	5,492,253
	1,327,022
	27,737
	2,167,586
	15,880,932

	6,557
	22,828,821
	16,135,819
	38,971,197
	(5,492,703)
	49,359,426
\$	75,062,880

Concluded

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2004**

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,105,402	106,253	-	-
Fines and Forfeitures	-	-	-	24,191
Special Assessments	-	-	-	-
Service Fees	-	758,475	1,543,414	-
Use of Money and Property	17,330	530,592	113,224	10,180
Other Revenues	434,978	68,862	-	-
Total Revenues	1,557,710	1,464,182	1,656,638	34,371
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	178,375
Community Development	1,152,011	1,453,110	13,985	-
Transportation	-	-	-	-
Socioeconomic	196,551	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	-	-	-	13,492
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	1,348,562	1,453,110	13,985	191,867
Excess of Revenues Over (Under) Expenditures	209,148	11,072	1,642,653	(157,496)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(2,866)	(10,018)	(1,691,288)	(100,549)
Total Other Financing Sources (Uses)	(2,866)	(10,018)	(1,691,288)	(100,549)
Net Change in Fund Balances	206,282	1,054	(48,635)	(258,045)
Fund Balances - Beginning of Year, as Restated	930,198	11,904,327	718,807	2,312,841
Fund Balances - End of Year	\$ 1,136,480	\$ 11,905,381	\$ 670,172	\$ 2,054,796

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Special Revenue				
Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services
\$ -	\$ 4,356	\$ -	\$ -	\$ -
223,373	-	2,563,278	52,127	79,198
-	-	-	-	-
-	-	-	-	-
-	116,401	-	-	89,649
919	2,063	21,415	-	12,979
-	-	-	-	-
224,292	122,820	2,584,693	52,127	181,826
-	-	-	-	-
295,639	-	-	-	-
-	167,216	-	-	-
-	-	1,884,248	-	-
-	-	-	-	544,809
-	-	-	-	-
-	-	-	-	-
-	-	378,394	-	-
-	-	-	-	-
-	-	-	-	-
295,639	167,216	2,262,642	-	544,809
(71,347)	(44,396)	322,051	52,127	(362,983)
-	-	-	-	-
85,237	-	6,693	-	-
-	(15,375)	(328,708)	(52,127)	-
85,237	(15,375)	(322,015)	(52,127)	-
13,890	(59,771)	36	-	(362,983)
8,247	539,969	5,254,988	-	1,218,432
\$ 22,137	\$ 480,198	\$ 5,255,024	\$ -	\$ 855,449

Continued

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2004**

	Special Revenue			
	Redevelopment Agency	Low and Moderate Income Housing	Patent Library	Total
Revenues:				
Property Taxes	\$ 3,782,516	\$ -	\$ -	\$ 3,786,872
Intergovernmental Revenues	-	-	-	4,129,631
Fines and Forfeitures	-	-	-	24,191
Special Assessments	-	-	-	-
Service Fees	-	-	265,160	2,773,099
Use of Money and Property	-	-	274	708,976
Other Revenues	5,000	-	-	508,840
Total Revenues	3,787,516	-	265,434	11,931,609
Expenditures:				
Current:				
Planning and Management	157,482	-	-	157,482
Public Safety	-	-	-	474,014
Community Development	746,375	-	-	3,532,697
Transportation	-	-	-	1,884,248
Socioeconomic	-	-	-	741,360
Cultural	-	-	299,234	299,234
Environmental Management	-	-	-	-
Capital Outlay	81,143	-	-	473,029
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	985,000	-	299,234	7,562,064
Excess of Revenues Over (Under) Expenditures	2,802,516	-	(33,800)	4,369,545
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	-	830,647	-	922,577
Transfers Out	(3,329,725)	-	(81,868)	(5,612,524)
Total Other Financing Sources (Uses)	(3,329,725)	830,647	(81,868)	(4,689,947)
Net Change in Fund Balances	(527,209)	830,647	(115,668)	(320,402)
Fund Balances - Beginning of Year, as Restated	(4,965,494)	4,661,606	160,145	22,744,066
Fund Balances - End of Year	\$ (5,492,703)	\$ 5,492,253	\$ 44,477	\$ 22,423,664

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Permanent			Debt Service	
Swirsky Youth Opportunity	Fremont Pool	Total	ABAG Certificates of Participation	Special Assessment Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,117	3,669	6,786	6,450	2,688
41,489	7,115	48,604	-	-
44,606	10,784	55,390	6,450	2,688
3,835	-	3,835	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	280,000	260,000
-	-	-	132,283	30,962
3,835	-	3,835	412,283	290,962
40,771	10,784	51,555	(405,833)	(288,274)
-	-	-	-	-
-	-	-	395,034	-
-	(30,842)	(30,842)	-	-
-	(30,842)	(30,842)	395,034	-
40,771	(20,058)	20,713	(10,799)	(288,274)
486,415	819,894	1,306,309	440,121	766,584
\$ 527,186	\$ 799,836	\$ 1,327,022	\$ 429,322	\$ 478,310

Continued

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2004**

	Parking District Bonds	Debt Service Government Center Certificates of Participation	Total	Capital Projects Infrastructure Renovation and Replacement
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	238,454
Fines and Forfeitures	-	-	-	-
Special Assessments	-	-	-	-
Service Fees	-	-	-	-
Use of Money and Property	-	29,789	38,927	144,736
Other Revenues	-	-	-	-
Total Revenues	-	29,789	38,927	383,190
Expenditures:				
Current:				
Planning and Management	-	-	-	37,118
Public Safety	-	-	-	177,751
Community Development	-	-	-	258,266
Transportation	-	-	-	477,000
Socioeconomic	-	-	-	-
Cultural	-	-	-	242,626
Environmental Management	-	-	-	490,804
Capital Outlay	-	-	-	1,868,006
Debt Service:				
Principal Retirement	75,000	380,000	995,000	-
Interest and Fiscal Charges	950	220,000	384,195	-
Total Expenditures	75,950	600,000	1,379,195	3,551,571
Excess of Revenues Over (Under) Expenditures	(75,950)	(570,211)	(1,340,268)	(3,168,381)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	-	612,969	1,008,003	4,226,898
Transfers Out	-	-	-	(268,390)
Total Other Financing Sources (Uses)	-	612,969	1,008,003	3,958,508
Net Change in Fund Balances	(75,950)	42,758	(332,265)	790,127
Fund Balances - Beginning of Year, as Restated	75,950	1,217,574	2,500,229	21,151,111
Fund Balances - End of Year	\$ -	\$ 1,260,332	\$ 2,167,964	\$ 21,941,238

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Capital Projects		Total Nonmajor Governmental Funds
Redevelopment Agency Projects	Total	
\$ -	\$ -	\$ 3,786,872
-	238,454	4,368,085
-	-	24,191
-	-	-
-	-	2,773,099
-	144,736	899,425
-	-	557,444
-	383,190	12,409,116
-	37,118	198,435
-	177,751	651,765
-	258,266	3,790,963
-	477,000	2,361,248
-	-	741,360
-	242,626	541,860
-	490,804	490,804
-	1,868,006	2,341,035
-	-	995,000
-	-	384,195
-	3,551,571	12,496,665
-	(3,168,381)	(87,549)
-	-	-
-	4,226,898	6,157,478
-	(268,390)	(5,911,756)
-	3,958,508	245,722
-	790,127	158,173
1,499,538	22,650,649	49,201,253
\$ 1,499,538	\$ 23,440,776	\$ 49,359,426

Concluded

CITY OF SUNNYVALE**Redevelopment Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ (43,918,776)	\$ (43,918,776)	\$ (43,918,776)	\$ -
Resources (Inflows):				
Use of Money and Property	128,738	128,738	94,902	(33,836)
Proceeds of Refunding Bonds	-	-	7,960,000	7,960,000
Transfers In	1,891,021	1,891,021	2,471,760	580,739
Total Resources	<u>2,019,759</u>	<u>2,019,759</u>	<u>10,526,662</u>	<u>8,506,903</u>
Charges to Appropriations (Outflows):				
Principal Retirement	680,000	680,000	680,000	-
Interest and Fiscal Charges	1,220,020	1,220,020	1,693,305	(473,285)
Interfund Interest	-	-	3,696,453	(3,696,453)
Issuance Discount on Refunding Bonds	-	-	68,519	(68,519)
Payment to Refunded Bond Escrow Agent	-	-	7,245,000	(7,245,000)
Total Charges to Appropriations	<u>1,900,020</u>	<u>1,900,020</u>	<u>13,383,277</u>	<u>(11,483,257)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>119,739</u>	<u>119,739</u>	<u>(2,856,615)</u>	<u>(2,976,354)</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ (43,799,037)</u>	<u>\$ (43,799,037)</u>	<u>\$ (46,775,391)</u>	<u>\$ (2,976,354)</u>

CITY OF SUNNYVALE**City Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 18,105,537	\$ 18,105,537	\$ 18,105,537	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,300,000	18,119,079	4,405,505	(13,713,574)
Service Fees	217,125	229,745	398,115	168,370
Use of Money and Property	265,101	265,101	55,028	(210,073)
Other Revenues	-	1,284,253	325,074	(959,179)
Transfers In	766,242	5,220,445	2,255,459	(2,964,986)
Total Resources	<u>2,548,468</u>	<u>25,118,623</u>	<u>7,439,181</u>	<u>(17,679,442)</u>
Charges to Appropriations (Outflows):				
Transportation	-	80,682	80,682	-
Capital Outlay	2,056,980	35,453,767	11,897,712	23,556,055
Transfers Out	1,056,313	2,468,750	2,253,137	215,613
Total Charges to Appropriations	<u>3,113,293</u>	<u>38,003,199</u>	<u>14,231,531</u>	<u>23,771,668</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(564,825)</u>	<u>(12,884,576)</u>	<u>(6,792,350)</u>	<u>6,092,226</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 17,540,712</u>	<u>\$ 5,220,961</u>	<u>\$ 11,313,187</u>	<u>6,092,226</u>

CITY OF SUNNYVALE**Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 930,198	\$ 930,198	\$ 930,198	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,741,487	1,741,487	1,105,402	(636,085)
Use of Money and Property	11,907	11,907	17,330	5,423
Other Revenues	500,000	500,000	434,978	(65,022)
Total Resources	<u>2,253,394</u>	<u>2,253,394</u>	<u>1,557,710</u>	<u>(695,684)</u>
Charges to Appropriations (Outflows):				
Community Development	1,852,902	1,947,469	1,152,011	795,458
Socioeconomic	198,160	205,176	196,551	8,625
Transfers Out	-	2,866	2,866	-
Total Charges to Appropriations	<u>2,051,062</u>	<u>2,155,511</u>	<u>1,351,428</u>	<u>804,083</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>202,332</u>	<u>97,883</u>	<u>206,282</u>	<u>108,399</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 1,132,530</u>	<u>\$ 1,028,081</u>	<u>\$ 1,136,480</u>	<u>\$ 108,399</u>

CITY OF SUNNYVALE**Housing Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 11,904,327	\$ 11,904,327	\$ 11,904,327	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,911,570	1,911,570	106,253	(1,805,317)
Service Fees	804,217	804,217	758,475	(45,742)
Use of Money and Property	505,247	505,247	530,592	25,345
Other Revenues	21,500	32,302	68,862	36,560
Total Resources	<u>3,242,534</u>	<u>3,253,336</u>	<u>1,464,182</u>	<u>(1,789,154)</u>
Charges to Appropriations (Outflows):				
Community Development	1,776,804	6,636,473	1,453,110	5,183,363
Transfers Out	10,018	10,018	10,018	-
Total Charges to Appropriations	<u>1,786,822</u>	<u>6,646,491</u>	<u>1,463,128</u>	<u>5,183,363</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>1,455,712</u>	<u>(3,393,155)</u>	<u>1,054</u>	<u>3,394,209</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 13,360,039</u>	<u>\$ 8,511,172</u>	<u>\$ 11,905,381</u>	<u>\$ 3,394,209</u>

CITY OF SUNNYVALE**Park Dedication Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 718,807	\$ 718,807	\$ 718,807	\$ -
Resources (Inflows):				
Service Fees	-	2,712,832	1,543,414	(1,169,418)
Use of Money and Property	133,680	133,680	113,224	(20,456)
Total Resources	133,680	2,846,512	1,656,638	(1,189,874)
Charges to Appropriations (Outflows):				
Community Development	12,000	12,000	13,985	(1,985)
Transfers Out	-	2,871,839	1,691,288	1,180,551
Total Charges to Appropriations	12,000	2,883,839	1,705,273	1,178,566
Excess of Resources Over (Under)				
Charges to Appropriations	121,680	(37,327)	(48,635)	(11,308)
Budgetary Fund Balance, June 30, 2004	\$ 840,487	\$ 681,480	\$ 670,172	\$ (11,308)

CITY OF SUNNYVALE**Asset Forfeiture Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 2,312,841	\$ 2,312,841	\$ 2,312,841	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	-	24,191	24,191
Use of Money and Property	85,770	85,770	10,180	(75,590)
Total Resources	85,770	85,770	34,371	(51,399)
Charges to Appropriations (Outflows):				
Public Safety	3,000	505,803	178,375	327,428
Capital Outlay	54,586	54,586	13,492	41,094
Transfers Out	154,744	154,744	100,549	54,195
Total Charges to Appropriations	212,330	715,133	292,416	422,717
Excess of Resources Over (Under) Charges to Appropriations	(126,560)	(629,363)	(258,045)	371,318
Budgetary Fund Balance, June 30, 2004	\$ 2,186,281	\$ 1,683,478	\$ 2,054,796	\$ 371,318

CITY OF SUNNYVALE**Police Services Augmentation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 8,247	\$ 8,247	\$ 8,247	\$ -
Resources (Inflows):				
Intergovernmental Revenues	297,467	223,373	223,373	-
Use of Money and Property	-	-	919	919
Transfers In	3,743	85,237	85,237	-
Total Resources	<u>301,210</u>	<u>308,610</u>	<u>309,529</u>	<u>919</u>
Charges to Appropriations (Outflows):				
Public Safety	301,210	302,457	295,639	6,818
Total Charges to Appropriations	<u>301,210</u>	<u>302,457</u>	<u>295,639</u>	<u>6,818</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>-</u>	<u>6,153</u>	<u>13,890</u>	<u>7,737</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 8,247</u>	<u>\$ 14,400</u>	<u>\$ 22,137</u>	<u>\$ 7,737</u>

CITY OF SUNNYVALE**Parking District Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 539,969	\$ 539,969	\$ 539,969	\$ -
Resources (Inflows):				
Property Taxes	-	-	4,356	4,356
Service Fees	148,398	148,398	116,401	(31,997)
Use of Money and Property	-	-	2,063	2,063
Total Resources	<u>148,398</u>	<u>148,398</u>	<u>122,820</u>	<u>(25,578)</u>
Charges to Appropriations (Outflows):				
Community Development	173,705	350,909	167,216	183,693
Transfers Out	-	15,375	15,375	-
Total Charges to Appropriations	<u>173,705</u>	<u>366,284</u>	<u>182,591</u>	<u>183,693</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(25,307)</u>	<u>(217,886)</u>	<u>(59,771)</u>	<u>158,115</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 514,662</u>	<u>\$ 322,083</u>	<u>\$ 480,198</u>	<u>\$ 158,115</u>

CITY OF SUNNYVALE**Gas Tax Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 5,254,988	\$ 5,254,988	\$ 5,254,988	\$ -
Resources (Inflows):				
Intergovernmental Revenues	2,578,441	2,992,021	2,563,278	(428,743)
Use of Money and Property	127,379	127,379	21,415	(105,964)
Transfers In	-	132,583	6,693	(125,890)
Total Resources	<u>2,705,820</u>	<u>3,251,983</u>	<u>2,591,386</u>	<u>(660,597)</u>
Charges to Appropriations (Outflows):				
Transportation	2,025,000	2,156,763	1,884,248	272,515
Capital Outlay	24,508	1,107,414	378,394	729,020
Transfers Out	668,533	1,184,205	328,708	855,497
Total Charges to Appropriations	<u>2,718,041</u>	<u>4,448,382</u>	<u>2,591,350</u>	<u>1,857,032</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(12,221)</u>	<u>(1,196,399)</u>	<u>36</u>	<u>1,196,435</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 5,242,767</u>	<u>\$ 4,058,589</u>	<u>\$ 5,255,024</u>	<u>\$ 1,196,435</u>

CITY OF SUNNYVALE**Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	351,738	52,127	(299,611)
Total Resources	-	351,738	52,127	(299,611)
Charges to Appropriations (Outflows):				
Transfers Out	-	351,738	52,127	299,611
Total Charges to Appropriations	-	351,738	52,127	299,611
Excess of Resources Over (Under)				
Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2004	\$ -	\$ -	\$ -	\$ -

CITY OF SUNNYVALE**Youth and Neighborhood Services Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 1,218,432	\$ 1,218,432	\$ 1,218,432	\$ -
Resources (Inflows):				
Intergovernmental Revenues	117,726	117,726	79,198	(38,528)
Service Fees	63,300	63,300	89,649	26,349
Use of Money and Property	51,617	51,617	12,979	(38,638)
Total Resources	<u>232,643</u>	<u>232,643</u>	<u>181,826</u>	<u>(50,817)</u>
Charges to Appropriations (Outflows):				
Socioeconomic	670,729	682,076	544,809	137,267
Total Charges to Appropriations	<u>670,729</u>	<u>682,076</u>	<u>544,809</u>	<u>137,267</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(438,086)</u>	<u>(449,433)</u>	<u>(362,983)</u>	<u>86,450</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 780,346</u>	<u>\$ 768,999</u>	<u>\$ 855,449</u>	<u>\$ 86,450</u>

CITY OF SUNNYVALE**Redevelopment Agency Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ (4,965,494)	\$ (4,965,494)	\$ (4,965,494)	\$ -
Resources (Inflows):				
Property Taxes	2,955,783	2,955,783	3,782,516	826,733
Other Revenues	-	5,000	5,000	-
Total Resources	<u>2,955,783</u>	<u>2,960,783</u>	<u>3,787,516</u>	<u>826,733</u>
Charges to Appropriations (Outflows):				
Planning and Management	-	284,563	157,482	127,081
Community Development	728,493	879,493	746,375	133,118
Capital Outlay	31,620	451,554	81,143	370,411
Transfers Out	2,323,712	2,323,712	3,329,725	(1,006,013)
Total Charges to Appropriations	<u>3,083,825</u>	<u>3,939,322</u>	<u>4,314,725</u>	<u>(375,403)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(128,042)</u>	<u>(978,539)</u>	<u>(527,209)</u>	<u>451,330</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ (5,093,536)</u>	<u>\$ (5,944,033)</u>	<u>\$ (5,492,703)</u>	<u>\$ 451,330</u>

CITY OF SUNNYVALE**Low and Moderate Income Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 4,661,606	\$ 4,661,606	\$ 4,661,606	\$ -
Resources (Inflows):				
Transfers In	591,157	591,157	830,647	239,490
Amount Available for Appropriation	591,157	591,157	830,647	239,490
Budgetary Fund Balance, June 30, 2004	<u>\$ 5,252,763</u>	<u>\$ 5,252,763</u>	<u>\$ 5,492,253</u>	<u>\$ 239,490</u>

CITY OF SUNNYVALE**Patent Library Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 160,145	\$ 160,145	\$ 160,145	\$ -
Resources (Inflows):				
Service Fees	316,100	316,100	265,160	(50,940)
Use of Money and Property	-	-	274	274
Total Resources	<u>316,100</u>	<u>316,100</u>	<u>265,434</u>	<u>(50,666)</u>
Charges to Appropriations (Outflows):				
Cultural	335,632	335,632	299,234	36,398
Transfers Out	81,868	81,868	81,868	-
Total Charges to Appropriations	<u>417,500</u>	<u>417,500</u>	<u>381,102</u>	<u>36,398</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(101,400)</u>	<u>(101,400)</u>	<u>(115,668)</u>	<u>(14,268)</u>
Budgetary Fund Balance, June 30, 2004	<u>\$ 58,745</u>	<u>\$ 58,745</u>	<u>\$ 44,477</u>	<u>\$ (14,268)</u>

CITY OF SUNNYVALE**ABAG Certificates of Participation Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 440,121	\$ 440,121	\$ 440,121	\$ -
Resources (Inflows):				
Use of Money and Property	-	-	6,450	6,450
Transfers In	411,468	411,468	395,034	(16,434)
Total Resources	411,468	411,468	401,484	(9,984)
Charges to Appropriations (Outflows):				
Principal Retirement	280,000	280,000	280,000	-
Interest and Fiscal Charges	131,468	131,468	132,283	(815)
Total Charges to Appropriations	411,468	411,468	412,283	(815)
Excess of Resources Over (Under)				
Charges to Appropriations	-	-	(10,799)	(10,799)
Budgetary Fund Balance, June 30, 2004	\$ 440,121	\$ 440,121	\$ 429,322	\$ (10,799)

CITY OF SUNNYVALE***Parking District Bonds Debt Service Fund******Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004***

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 75,950	\$ 75,950	\$ 75,950	\$ -
Charges to Appropriations (Outflows):				
Principal Retirement	75,000	75,000	75,000	-
Interest and Fiscal Charges	1,300	1,300	950	350
Total Charges to Appropriations	76,300	76,300	75,950	350
Budgetary Fund Balance, June 30, 2004	\$ (350)	\$ (350)	\$ -	\$ 350

CITY OF SUNNYVALE**Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 1,217,574	\$ 1,217,574	\$ 1,217,574	\$ -
Resources (Inflows):				
Use of Money and Property	-	-	29,789	29,789
Transfers In	656,452	656,452	612,969	(43,483)
Total Resources	656,452	656,452	642,758	(13,694)
Charges to Appropriations (Outflows):				
Principal Retirement	304,000	304,000	380,000	(76,000)
Interest and Fiscal Charges	224,200	224,200	220,000	4,200
Total Charges to Appropriations	528,200	528,200	600,000	(71,800)
Excess of Resources Over (Under)				
Charges to Appropriations	128,252	128,252	42,758	(85,494)
Budgetary Fund Balance, June 30, 2004	\$ 1,345,826	\$ 1,345,826	\$ 1,260,332	\$ (85,494)

CITY OF SUNNYVALE

Infrastructure Renovation and Replacement Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 21,151,111	\$ 21,151,111	\$ 21,151,111	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	620,617	238,454	(382,163)
Use of Money and Property	1,147,049	1,147,049	144,736	(1,002,313)
Transfers In	7,562,811	11,082,448	4,226,898	(6,855,550)
Total Resources	8,709,860	12,850,114	4,610,088	(8,240,026)
Charges to Appropriations (Outflows):				
Planning and Management	198,213	348,647	37,118	311,529
Public Safety	1,800,782	2,174,051	177,751	1,996,300
Community Development	785,682	1,424,234	258,266	1,165,968
Transportation	653,288	658,668	477,000	181,668
Cultural	407,432	1,218,116	242,626	975,490
Environmental Management	2,295,543	3,482,856	490,804	2,992,052
Capital Outlay	5,319,037	9,151,598	1,868,006	7,283,592
Transfers Out	-	-	268,390	(268,390)
Total Charges to Appropriations	11,459,977	18,458,170	3,819,961	14,638,209
Excess of Resources Over (Under)				
Charges to Appropriations	(2,750,117)	(5,608,056)	790,127	6,398,183
Budgetary Fund Balance, June 30, 2004	\$ 18,400,994	\$ 15,543,055	\$ 21,941,238	\$ 6,398,183

CITY OF SUNNYVALE**Redevelopment Agency Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2003	\$ 1,499,538	\$ 1,499,538	\$ 1,499,538	\$ -
Charges to Appropriations (Outflows):				
Capital Outlay	1,499,828	1,499,828	-	1,499,828
Total Charges to Appropriations	1,499,828	1,499,828	-	1,499,828
Budgetary Fund Balance, June 30, 2004	\$ (290)	\$ (290)	\$ 1,499,538	\$ (1,499,828)

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Risk Management Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.

CITY OF SUNNYVALE

Combining Statement of Net Assets All Internal Service Funds June 30, 2004

	General Services	Employee Benefits	Risk Management	Totals
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 27,438,263	\$ 31,095,692	\$ 1,496,939	\$ 60,030,894
Receivables, Net	303,861	362,786	15,012	681,659
Inventories and Prepayments	76,827	-	-	76,827
Total Current Assets	27,818,951	31,458,478	1,511,951	60,789,380
Capital Assets:				
Land & Nondepreciable Assets	549,276	-	-	549,276
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,691,912	-	-	11,691,912
Total Assets	40,060,139	31,458,478	1,511,951	73,030,568
Liabilities:				
Current Liabilities				
Wages Payable	-	2,494,131	-	2,494,131
Accounts Payable and Accrued Liabilities	654,167	167,735	20,241	842,143
Refundable Deposits	19,073	-	-	19,073
Claims and Judgments Payable - Due Within One Year	-	3,008,397	194,860	3,203,257
Compensated Absences Payable - Due Within One Year	-	6,883,258	-	6,883,258
Total Current Liabilities	673,240	12,553,521	215,101	13,441,862
Noncurrent Liabilities				
Advances from Other Funds	3,172,861	-	-	3,172,861
Claims and Judgments Payable- Due in More than One Year	-	8,359,603	764,140	9,123,743
Compensated Absences Payable - Due in More than One Year	-	372,725	-	372,725
Total Noncurrent Liabilities	3,172,861	8,732,328	764,140	12,669,329
Total Liabilities	3,846,101	21,285,849	979,241	26,111,191
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,691,912	-	-	11,691,912
Unrestricted	24,522,126	10,172,629	532,710	35,227,465
Total Net Assets	\$ 36,214,038	\$ 10,172,629	\$ 532,710	\$ 46,919,377

CITY OF SUNNYVALE
**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2004**

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	\$ 14,954,761	\$ 35,631,729	\$ 1,154,916	\$ 51,741,406
Total Operating Revenues	<u>14,954,761</u>	<u>35,631,729</u>	<u>1,154,916</u>	<u>51,741,406</u>
Operating Expenses:				
Personnel Services	6,234,772	17,989,787	158,605	24,383,164
Contractual	2,282,767	344,673	139,464	2,766,904
Material and Supplies	1,847,051	10,358	3,065	1,860,474
Utilities	1,676,226	-	-	1,676,226
Taxes and Licenses	10,186	-	-	10,186
Equipment and Building Rental	1,014,193	47,159	20,405	1,081,757
Depreciation	2,138,247	-	-	2,138,247
Insurance Premiums and Claims	-	8,458,079	660,830	9,118,909
Retirement Premiums	-	11,852,994	-	11,852,994
Total Operating Expenses	<u>15,203,442</u>	<u>38,703,050</u>	<u>982,369</u>	<u>54,888,861</u>
Operating Income (Loss)	(248,681)	(3,071,321)	172,547	(3,147,455)
Nonoperating Revenues (Expenses):				
Investment Earnings	119,706	149,722	2,533	271,961
Miscellaneous Revenues (Expenses)	(95,805)	(973)	(1,219)	(97,997)
Interest Expense	(207,570)	-	-	(207,570)
Gain (Loss) on Disposal of Assets	(6,681)	-	-	(6,681)
Total Nonoperating Revenues (Expenses)	<u>(190,350)</u>	<u>148,749</u>	<u>1,314</u>	<u>(40,287)</u>
Income (loss) before Transfers	(439,031)	(2,922,572)	173,861	(3,187,742)
Transfers In	2,710,630	764,289	-	3,474,919
Transfers Out	(819,550)	(171,616)	-	(991,166)
Change in Net Assets	1,452,049	(2,329,899)	173,861	(703,989)
Net Assets - Beginning of Year	<u>34,761,989</u>	<u>12,502,528</u>	<u>358,849</u>	<u>47,623,366</u>
Net Assets - End of Year	<u>\$ 36,214,038</u>	<u>\$ 10,172,629</u>	<u>\$ 532,710</u>	<u>\$ 46,919,377</u>

CITY OF SUNNYVALE
Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2004

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 15,084,250	\$ 35,594,144	\$ 1,154,916	\$ 51,833,310
Cash Payments to Suppliers of Goods and Services	(7,207,376)	(1,428,225)	(173,105)	(8,808,706)
Cash Payments to Employees for Services	(6,274,241)	(10,527,867)	(158,605)	(16,960,713)
Insurance and Claims Paid	-	(26,165,566)	(751,783)	(26,917,349)
Other Receipts (Payments)	84,655	309	-	84,964
Net Cash Provided by (Used for) Operating Activities	1,687,288	(2,527,205)	71,423	(768,494)
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,710,630	764,289	-	3,474,919
Transfers Paid	(819,551)	(171,616)	-	(991,167)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,891,079	592,673	-	2,483,752
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,346,410)	-	-	(1,346,410)
Proceeds from Sale of Capital Assets	191,313	-	-	191,313
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,155,097)	-	-	(1,155,097)
Cash Flows from Investing Activities:				
Interest on Investments	1,082,776	1,383,237	48,159	2,514,172
Change in the Fair Value of Investments	(936,817)	(1,154,381)	(43,590)	(2,134,788)
Net Cash Provided by Investing Activities	145,959	228,856	4,569	379,384
Net Increase (Decrease) in Cash and Cash Equivalents	2,569,229	(1,705,676)	75,992	939,545
Cash and Cash Equivalents - Beginning of Year	24,869,033	32,801,368	1,420,947	59,091,348
Cash and Cash Equivalents - End of Year	\$ 27,438,262	\$ 31,095,692	\$ 1,496,939	\$ 60,030,893

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2004**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	(248,681)	(3,071,321)	172,547	(3,147,455)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	\$ 2,138,247	\$ -	\$ -	2,138,247
Changes in Assets and Liabilities:				
Receivables, Net	(18,100)	175,912	-	157,812
Due from Other Governments	57,907	-	-	57,907
Inventories and Prepayments	114,391	22,721	-	137,112
Accounts Payable and Accrued Liabilities	(356,476)	1,635,680	(20,124)	1,259,080
Claims and Judgments Payable		(1,422,000)	(81,000)	(1,503,000)
Compensated Absences Payable	-	131,803	-	131,803
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,687,288</u></u>	<u><u>\$ (2,527,205)</u></u>	<u><u>\$ 71,423</u></u>	<u><u>\$ (768,494)</u></u>
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	190,780	-	-	190,780



Fiduciary Fund Financial Statements

Agency Funds:

The ***Community Facilities District Agency Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***General Agency Fund*** accounts for funds given to the City for restricted purposes whereby the City is only acting as a passthrough agent.

CITY OF SUNNYVALE**Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Community Facilities District	General Agency	Total
Assets:			
Cash and Investments	\$ 2,083,178	\$ 99,169	\$ 2,182,347
Cash and Investments Held by Fiscal Agent	1,748,188	-	1,748,188
Accounts Receivable	7,761	-	7,761
Interest Receivable	-	933	933
Total Assets	\$ 3,839,127	\$ 100,102	\$ 3,939,229
Liabilities:			
Short-term Agency Payables	\$ 781,384	\$ 100,102	\$ 881,486
Due to Bondholders	3,057,743	-	3,057,743
Total Liabilities	\$ 3,839,127	\$ 100,102	\$ 3,939,229

CITY OF SUNNYVALE**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004****Community Facilities District**

	Beginning Balance July 1, 2003	Additions	Deletions	Ending Balance June 30, 2004
Assets:				
Cash and Investments	\$ 1,771,765	\$ 1,751,411	\$ (1,439,998)	\$ 2,083,178
Cash and Investments Held by Fiscal Agent	1,753,001	1,537,037	(1,541,850)	1,748,188
Accounts Receivables	4,560	7,761	(4,560)	7,761
Total Assets	\$ 3,529,326	\$ 3,296,209	\$ (2,986,408)	\$ 3,839,127
Liabilities:				
Short-term Agency Payables	\$ 781,384	\$ -	\$ -	\$ 781,384
Due to Bondholders	2,747,942	1,851,651	(1,541,850)	3,057,743
Total Liabilities	\$ 3,529,326	\$ 1,851,651	\$ (1,541,850)	\$ 3,839,127

General Agency

	Beginning Balance July 1, 2003	Additions	Deletions	Ending Balance June 30, 2004
Assets:				
Cash and Investments	\$ 98,242	\$ 12,448	\$ (11,521)	\$ 99,169
Interest Receivable	1,199	933	(1,199)	933
Total Assets	\$ 99,441	\$ 13,381	\$ (12,720)	\$ 100,102
Liabilities:				
Short-term Agency Payables	\$ 99,441	\$ 12,265	\$ (11,604)	\$ 100,102
Total Liabilities	\$ 99,441	\$ 12,265	\$ (11,604)	\$ 100,102

Capital Assets Used in the Operation of Governmental Funds

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
June 30, 2004 and 2003**

	2004	2003
Governmental Funds Capital Assets:		
Land	\$ 104,032,562	\$ 104,032,562
Buildings	86,808,887	78,760,078
Improvements Other Than Buildings	63,781,231	57,099,286
Machinery and Equipment	3,131,966	2,969,509
Construction In Progress	2,662,402	10,327,170
Infrastructure:		
Nondepreciable	157,685,883	156,546,282
Depreciable	71,499,207	68,142,989
Total Governmental Funds Capital Assets	\$ 489,602,138	\$ 477,877,876
Investment In Governmental Funds Capital Assets by Source:		
General Fund	\$ 322,919,535	\$ 322,921,882
Special Revenue Funds	56,949,812	56,495,400
Capital Projects Funds	68,439,007	57,987,811
Contributions From Developers and Donations	41,293,784	40,472,783
Total Investment In Governmental Funds Capital Assets	\$ 489,602,138	\$ 477,877,876

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended June 30, 2004**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
Planning and Management	\$ 20,681,843	\$ 13,110,316	\$ 3,006,503	\$ 469,732
Public Safety	1,252,625	2,248,093	4,690,634	531,949
Community Development	40,003,733	24,755,697	22,828,081	46,624
Transportation	18,283,828	6,598,463	10,909,460	181,750
Socioeconomic	-	2,072,176	7,354,737	313,517
Cultural	6,352,073	35,797,247	6,480,373	385,602
Environmental Management	17,458,460	2,226,895	8,511,443	1,202,792
Total Governmental Funds Capital Assets	\$ 104,032,562	\$ 86,808,887	\$ 63,781,231	\$ 3,131,966

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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Construction		Infrastructure		Total
in	Progress	Nondepreciable	Depreciable	
\$	262,600	\$ -	\$ -	\$ 37,530,994
	25,772	-	-	8,749,073
	369,599	-	-	88,003,734
	731,844	157,685,883	71,499,207	265,890,435
	-	-	-	9,740,430
	543,441	-	-	49,558,736
	729,146	-	-	30,128,736
<u>\$</u>	<u>2,662,402</u>	<u>\$ 157,685,883</u>	<u>\$ 71,499,207</u>	<u>\$ 489,602,138</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds****Schedule of Changes by Function and Activity****Year Ended June 30, 2004**

Function and Activity	Governmental Funds Capital Assets	Additions	Deletions	Governmental Funds Capital Assets
	July 1, 2003			June 30, 2004
Planning and Management	\$ 37,248,800	\$ 282,194	\$ -	\$ 37,530,994
Public Safety	8,661,260	87,813	-	8,749,073
Community Development	87,901,128	520,139	(417,533)	88,003,734
Transportation	262,392,158	11,482,195	(7,983,918)	265,890,435
Socioeconomic	4,409,846	6,236,617	(906,033)	9,740,430
Cultural	47,749,943	1,808,793	-	49,558,736
Environmental Management	29,514,741	642,411	(28,416)	30,128,736
Total Governmental Funds Capital Assets	\$ 477,877,876	\$ 21,060,162	\$ (9,335,900)	\$ 489,602,138

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



Statistical Section

Statistical Section

CITY OF SUNNYVALE**Government-Wide Expenses by Function
Last Four Fiscal Years
Unaudited**

Functions	Fiscal Year			
	2003-04	2002-03	2001-02	2000-01
Planning and Management	\$ 14,053,497	\$ 15,003,803	\$ 13,524,704	\$ 12,106,022
Public Safety	55,359,509	54,004,046	46,523,314	43,646,892
Community Development	18,815,476	21,068,059	19,914,417	22,641,194
Transportation	13,491,762	11,819,607	13,598,721	12,501,398
Socioeconomic	13,856,572	14,803,498	13,048,949	10,499,917
Cultural	8,437,938	8,812,068	9,160,387	7,577,481
Environmental Management	2,346,064	1,683,860	2,463,236	4,314,901
Interest on Long-term Debt	1,478,554	1,743,133	2,252,943	6,748,359
Water Supply and Distribution	17,231,663	16,144,013	15,106,493	15,150,916
Wastewater Management	14,971,210	15,006,869	15,471,536	14,753,066
Solid Waste Management	27,609,867	26,566,881	26,641,186	25,868,890
SMaRT Station	18,326,803	18,408,253	19,565,512	23,811,005
Community Recreation	9,428,282	9,471,683	9,008,015	8,497,576
Patent Library	-	-	669,378	923,626
Information Technology	-	13,080	5,420	10,526
Total	<u>\$ 215,407,197</u>	<u>\$ 214,548,853</u>	<u>\$ 206,954,211</u>	<u>\$ 209,051,769</u>

Source: City of Sunnyvale

CITY OF SUNNYVALE

**Government-Wide Revenues
Last Four Fiscal Years
Unaudited**

	Fiscal Year			
	2003-04	2002-03	2001-02	2000-01
Program Revenues:				
Charges for Services	\$ 101,571,941	\$ 99,637,284	\$ 98,616,455	\$ 106,874,113
Operating Grants and Contributions	17,716,493	20,542,344	19,541,076	19,076,212
Capital Grants and Contributions	5,500,883	11,011,604	6,922,323	8,803,524
General Revenues:				
Property Taxes	27,587,881	26,858,179	25,824,300	23,068,621
Sales and Other Taxes	47,444,051	51,475,427	52,987,523	68,466,087
Grants and Contributions not Restricted to Specific Program	821,000	677,909	143,496	1,813,687
Investment Earnings - Unrestricted	4,224,283	15,399,076	18,715,714	20,392,651
Miscellaneous	(13,451)	64,463	121,719	367,598
Gain (Loss) on Disposal of Assets	(6,681)	410,701	(236,796)	5,282,170
Total	<u>\$ 204,846,400</u>	<u>\$ 226,076,987</u>	<u>\$ 222,635,810</u>	<u>\$ 254,144,663</u>

Source: City of Sunnyvale

CITY OF SUNNYVALE

**General Governmental Expenditures by Function
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Planning and Management	Public Safety	Community Development	Transportation	Socio- Economic
1994-95	\$ 9,997,559	\$ 32,062,406	\$ 16,275,249	\$ 9,886,792	\$ 11,637,614
1995-96	10,955,959	32,415,432	19,119,660	8,863,496	11,814,862
1996-97	14,808,386	33,777,943	16,284,747	10,384,969	11,549,648
1997-98	8,941,386	36,592,080	20,679,249	7,427,576	10,477,049
1998-99	9,638,668	38,951,968	20,486,886	8,494,140	14,088,943
1999-00	11,634,862	40,491,106	21,228,199	15,885,002	14,209,890
2000-01	11,540,447	41,736,504	46,390,990	26,837,352	10,559,903
2001-02	17,165,510	44,571,028	28,088,659	20,947,607	13,097,909
2002-03	21,295,266	52,777,479	27,070,786	16,226,815	15,275,919
2003-04	20,972,374	54,080,189	19,412,927	11,136,926	18,736,898

Notes: This table includes the General Fund, Special Revenue Funds, Permanent Funds, Debt Service Funds, and Capital Projects Funds. It includes current, capital outlay, and debt service expenditures.

The debt service and capital outlay expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds have been reclassified into the various functions shown above for purposes of this table.

Source: City of Sunnyvale

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	Cultural	Environmental Management	Total
\$	5,337,115	\$ 1,112,311	\$ 86,309,046
	4,759,227	1,438,435	89,367,071
	4,958,311	8,014,471	99,778,475
	5,210,963	1,654,386	90,982,689
	7,465,781	1,688,877	100,815,263
	5,718,177	1,734,441	110,901,677
	6,833,222	2,187,710	146,086,128
	9,136,041	3,159,423	136,166,177
	16,906,970	2,270,756	151,823,991
	8,875,327	2,262,189	135,476,830

CITY OF SUNNYVALE

**General Governmental Revenues by Source
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Taxes	Federal and State Grants	Permits and Licenses	Fines and Forfeitures	Service Fees
1994-95	\$ 47,100,951	\$ 21,043,168	\$ 1,853,941	\$ 547,794	\$ 1,276,822
1995-96	52,457,703	21,778,469	2,281,064	570,291	1,522,591
1996-97	55,495,747	19,049,647	2,690,873	432,900	1,459,944
1997-98	59,166,507	19,107,152	2,555,279	426,474	1,569,022
1998-99	60,067,096	21,298,510	3,140,646	780,110	2,297,862
1999-00	69,502,406	23,713,621	5,379,099	1,331,709	4,009,876
2000-01	81,330,839	24,764,525	6,415,077	803,699	5,088,330
2001-02	67,174,984	31,409,151	4,391,446	1,646,481	3,493,353
2002-03	66,213,873	36,500,455	3,133,125	782,421	3,123,289
2003-04	64,599,914	27,459,362	4,251,724	774,191	5,495,108

Note: This table includes the General Fund, Special Revenue Funds, Permanent Funds, Debt Service Funds, and Capital Projects Funds.

Source: City of Sunnyvale

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Other Grants and Contributions		Other Revenues		Total	
\$	542,486	\$	13,321,892	\$	85,687,054
	711,609		15,068,234		94,389,961
	3,447,256		16,404,868		98,981,235
	1,869,428		13,977,716		98,671,578
	2,362,255		12,223,475		102,169,954
	6,305,809		12,749,269		122,991,789
	10,113,610		21,733,239		150,249,319
	1,119,604		21,677,677		130,912,696
	765,480		16,867,600		127,386,243
	208,854		9,384,579		112,173,732

CITY OF SUNNYVALE

**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Property	Sales and Use	Transient Occupancy	Utility Users	Business Licenses
1994-95	\$ 16,113,423	\$ 21,753,712	\$ 3,911,639	\$ 3,934,883	\$ 261,893
1995-96	16,487,931	25,450,209	5,011,073	3,855,092	274,459
1996-97	16,510,773	26,689,400	6,092,326	4,008,743	279,960
1997-98	17,423,550	27,855,279	7,273,406	4,393,051	270,491
1998-99	19,582,841	26,242,398	7,566,346	4,138,976	265,738
1999-00	21,097,901	31,253,028	9,774,786	4,394,678	263,253
2000-01	22,836,085	37,620,492	10,735,482	5,858,804	287,252
2001-02	25,595,165	27,269,784	6,320,197	5,687,657	249,753
2002-03	26,631,929	27,015,073	5,094,489	5,651,673	269,263
2003-04	27,367,042	24,599,056	4,751,669	5,876,966	244,286

Note: This table includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Source: City of Sunnyvale

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Real Property Transfer	Other Construction	Special Assessments	Total
\$ 274,257	\$ 552,797	\$ 298,347	\$ 46,802,604
454,784	764,155	160,000	52,297,703
540,307	1,072,546	301,692	55,194,055
671,981	989,313	289,436	58,877,071
742,253	1,215,677	312,867	59,754,229
641,088	1,780,104	297,568	69,204,838
855,751	2,419,062	717,911	80,612,928
534,274	1,221,584	296,570	67,174,984
579,875	672,281	299,290	66,213,873
764,570	859,971	136,354	64,599,914

CITY OF SUNNYVALE

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Current Levy
1994-95	\$ 15,687,660	\$ 15,546,058	99.10%	\$ 567,365	\$ 16,113,423	102.71%
1995-96	15,577,082	15,736,120	101.02%	751,811	16,487,931	105.85%
1996-97	15,542,680	16,000,733	102.95%	510,040	16,510,773	106.23%
1997-98	16,307,175	16,828,602	103.20%	594,948	17,423,550	106.85%
1998-99	19,404,406	18,877,897	97.29%	704,941	19,582,838	100.92%
1999-00	20,357,281	20,314,902	99.79%	783,000	21,097,902	103.64%
2000-01	22,239,752	22,028,206	99.05%	807,879	22,836,085	102.68%
2001-02	23,550,640	25,052,318	106.38%	542,847	25,595,165	108.68%
2002-03	24,585,437	25,962,607	105.60%	669,322	26,631,929	108.32%
2003-04	24,823,591	26,755,807	107.78%	611,235	27,367,042	110.25%

Notes: (1) Delinquent tax collections include interest penalties.

Beginning in fiscal year 1992-93, total tax levy and current tax collections are net of State property tax shifts.

Sources: City of Sunnyvale
County of Santa Clara

CITY OF SUNNYVALE

**Assessed Value of Taxable Property
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Net Local Secured Roll	State Board of Equalization	Total Secured Roll	Net Unsecured Collections (1)	Total Tax Net Secured and Unsecured
1994-95	\$ 9,167,365,490	\$ 1,088,719	\$ 9,168,454,209	\$ 1,371,292,884	\$ 10,539,747,093
1995-96	9,215,678,064	1,277,967	9,216,956,031	1,333,692,984	10,550,649,015
1996-97	9,362,948,496	483,379	9,363,431,875	1,377,136,404	10,740,568,279
1997-98	9,739,808,806	679,398	9,740,488,204	1,605,384,802	11,345,873,006
1998-99	10,925,933,371	846,321	10,926,779,692	2,185,723,139	13,112,502,831
1999-00	11,844,296,549	582,537	11,844,879,086	1,911,527,934	13,756,407,020
2000-01	12,767,265,619	525,935	12,767,791,554	1,933,588,029	14,701,379,583
2001-02	14,324,852,110	575,800	14,325,427,910	2,515,860,419	16,841,288,329
2002-03	14,879,162,575	554,367	14,879,716,942	2,970,203,822	17,849,920,764
2003-04	15,637,034,219	633,095	15,637,667,314	2,626,731,640	18,264,398,954

Notes: Chapter 921 of the Statutes of 1987 requires the establishment of a single County wide tax rate area for the assignment of the assessed value of certain types of State-assessed utility property, sets forth formulas for the determination of County wide tax rates for these particular types of property and how to distribute the resulting taxes. Assessed valuations within the statutory County wide tax rate area are included in the above assessed State Board of Equalization column.

Source: County of Santa Clara Assessor

CITY OF SUNNYVALE**Property Tax Levies and Collection Rates
Last Ten Fiscal Years
Unaudited**

Fiscal Year	City-Wide Property Tax Rate						Parking District
	City	County	School Districts	Special Districts	Total		
1994-95	- %	1.0332 %	0.0078 %	0.0115 %	1.0525 %		0.3675 %
1995-96	-	1.0338	0.0261	0.0098	1.0697		0.3675
1996-97	-	1.0341	0.0142	0.0102	1.0585		0.3675
1997-98	-	1.0388	0.0140	0.0098	1.0626		0.2532
1998-99	-	1.0388	0.0392	0.0082	1.0862		0.0619
1999-00	-	1.0319	0.0384	0.0085	1.0788		0.0590
2000-01	-	1.0356	0.0535	0.0075	1.0966		0.0520
2001-02	-	1.0364	0.0540	0.0062	1.0966		0.0540
2002-03	-	1.0388	0.0683	0.0072	1.1143		0.0522
2003-04	-	1.0388	0.0776	0.0087	1.1251		-

Notes: Tax rates stated are the rates applicable to the tax area having the highest assessed valuation of all areas within the City of Sunnyvale.

Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal year 1978-79, provided that the tax rate be limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. The total tax rate is greater than 1% because all jurisdictions may levy a tax rate for voter approved debt.

Due date for current taxes: First installment - November 1; second installment - February 1.

Date taxes become delinquent: First installment - December 10; second installment - April 10.

Penalties for delinquency: 10% and \$10.00 cost after date taxes become delinquent.

Collected by governmental unit: County of Santa Clara.

Rates applied to: Per \$100 assessed valuation.

Source: County of Santa Clara

CITY OF SUNNYVALE

**Largest Property Tax Payers
Year Ended June 30, 2004
Unaudited**

Taxpayer	Type of Business	2002-03 Valuation	% of Total Assessed Value
Lockheed Martin Corporation	Aerospace	\$ 889,762,563	4.80%
Applied Materials Inc.	Semiconductors Manufacturing	473,984,817	2.56%
A M D Properties Inc.	Electronic Manufacturing	274,850,859	1.48%
Yahoo Inc.	Internet Services	246,254,748	1.33%
Bay Apartment Communities Inc.	Real Estate - Residential	192,783,534	1.04%
Network Appliance Inc.	Network Data Storage and Management	184,189,695	0.99%
Menlo & Juniper Networks LLC	Internet Infrastructure Provider	138,295,000	0.75%
AMB Property Limited Partnership	Real Estate - Industrial	116,212,242	0.63%
Irvine Company	Real Estate - Industrial	115,899,017	0.63%
Maxim Integrated Products Inc.	Integrated Circuits Manufacturing	113,909,647	0.61%
Total		\$ 2,746,142,122	14.82%

Source: City of Sunnyvale
Santa Clara County Assessor

CITY OF SUNNYVALE

**Special Assessment Collections
Last Ten Fiscal Years
Unaudited**

<u>Fiscal Year</u>		<u>Current Assessments Due</u>		<u>Current Assessments Collected</u>	<u>Percent of Collections to Amount Due</u>
1994-95	\$	297,623	\$	297,623	100.0%
1995-96		297,572		297,573	100.0%
1996-97		301,692		301,692	100.0%
1997-98		299,617		289,436	96.6%
1998-99		301,668		301,668	100.0%
1999-00		297,568		297,568	100.0%
2000-01		297,658		297,658	100.0%
2001-02		296,570		296,570	100.0%
2002-03	(1)	299,290		299,290	100.0%
2003-04	(2)	65,675		64,345	98.0%

Notes: (1) Fiscal year 2002-03 was the last year that special assessment was levied on Mary Avenue Phase V Special Assessment District

(2) In fiscal year 2003-04, property owners at the Conway Road Assessment District began payments for capital improvements done by the City. Payments terms range from 5 to 20 years.

The City recorded special assessment revenues of \$136,354 in fiscal year 2003-04 due to early payoff of assessments by property owners.

Source: City of Sunnyvale

CITY OF SUNNYVALE

Computation of Legal Debt Margin
June 30, 2004
Unaudited

Total assessed value (Net)	<u><u>\$ 18,264,398,954</u></u>
Debt limit - 15% of total assessed value (Note)	<u>2,739,659,843</u>
Amount of debt applicable to debt limit:	
Total bonded debt	92,004,688
Less:	
Special Assessment Bonds	(280,000)
Water and Wastewater Revenue Bonds, Series 2001	(19,426,619)
Solid Waste Revenue Bonds, Series 2003	<u>(29,563,069)</u>
Total amount applicable to debt limit	<u>42,735,000</u>
Legal debt margin	<u><u>\$ 2,696,924,843</u></u>

Notes: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

Source: City of Sunnyvale

CITY OF SUNNYVALE

**Ratio of Annual Debt Service Expenditures to Total
General Governmental Expenditures
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Principal Expenditures	Interest Expenditures	Total Debt Service Expenditures	Total General Expenditures	Percent of Debt Service to General Expenditures
1994-95	\$ 940,000	\$ 1,662,218	\$ 2,602,218	\$ 86,309,046	3.0%
1995-96	620,000	1,917,594	2,537,594	89,367,071	2.8%
1996-97	725,000	1,814,835	2,539,835	99,778,475	2.5%
1997-98	765,000	1,821,727	2,586,727	90,982,689	2.8%
1998-99	885,000	1,647,878	2,532,878	100,815,263	2.5%
1999-00	1,065,000	1,599,579	2,664,579	110,901,677	2.4%
2000-01 (1)	13,558,248	3,279,586	16,837,834	146,325,954	11.5%
2001-02	1,535,000	1,779,016	3,314,016	136,166,177	2.4%
2002-03	1,595,000	1,647,801	3,242,801	151,823,991	2.1%
2003-04 (2)	1,675,000	1,400,158	3,075,158	135,476,830	2.3%

Notes: (1) Debt service expenditures include payments for Certificates of Participation, Redevelopment Agency Tax Allocation Bonds, Parking District Bonds and Special Assessment Bonds. Fiscal year 2000-01 principal expenditures include the partial redemption and in-substance defeasance of the Community Facilities District No. 1 Bond Anticipation Notes. The Notes have been replaced by special assessment debt with no governmental commitment.

(2) Not included in this amount was \$7,245,000 principal repayment of the Central Core Redevelopment Project Tax Allocation Bonds, Series 1992 with the issuance of the Central Core Redevelopment Tax Allocation Refunding Bonds, Series 2003.

Source: City of Sunnyvale

CITY OF SUNNYVALE**Computation of Direct and Overlapping Debt****June 30, 2004****Unaudited**

	Net Debt Outstanding	Percent Applicable to City of Sunnyvale	City of Sunnyvale's Share of Debt
Direct Debt (1):			
City of Sunnyvale Certificates of Participation	\$ 19,810,000	100.000%	\$ 19,810,000
City of Sunnyvale Parking Facility Certificates of Participation	14,965,000	100.000%	14,965,000
Total Gross Direct Debt	34,775,000		34,775,000
Overlapping Debt (2):			
City of Sunnyvale 1915 Act Bonds	280,000	100.000%	280,000
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	19,990,000	100.000%	19,990,000
Cupertino Union School District & Certificates of Participation	128,764,554	14.673%	18,893,623
El Camino Hospital Authority	839,999	38.508%	323,467
Foothill Community College District Certificates of Participation	24,384,999	24.379%	5,944,819
Foothill-De Anza Community College District	189,435,100	24.379%	46,182,383
Fremont Union High School District	133,910,000	50.069%	67,047,398
Midpeninsula Regional Open Space Park District Certificates of Participation	116,815,196	16.511%	19,287,357
Mountain View School District & Certificates of Participation	34,663,599	3.640%	1,261,755
Mountain View-Los Altos Union High School District & Certificates of Participation	54,961,908	1.394%	766,169
Los Altos School District	92,061,390	0.259%	238,439
Santa Clara County General Fund Obligations	630,039,996	9.441%	59,482,076
Santa Clara County Board of Education Certificates of Participation	18,509,999	9.441%	1,747,529
Santa Clara County Flood Control Districts W-1	5,834,999	11.289%	658,713
Santa Clara Unified School District Certificates of Participation	130,064,999	13.131%	17,078,835
Santa Clara Valley Water District Benefit Assessment District	197,109,999	9.441%	18,609,155
Sunnyvale School District	30,889,947	99.251%	30,658,581
West Valley-Mission Community College District Certificates of Participation	23,915,007	4.871%	1,164,900
Total Gross Overlapping Debt	1,832,471,691		309,615,199
Less: El Camino Hospital Authority Bonds (100% self-supporting)	(839,999)		(323,467)
Total Net Overlapping Debt	1,831,631,691		309,291,732
Total Net Direct and Overlapping Debt	\$ 1,866,406,691		\$ 344,066,732

Ratios to Assessed Valuation:

Total Gross Direct Debt	0.192%
Total Gross Direct and Overlapping Debt	1.905%
Total Net Direct and Overlapping Debt	1.903%

Notes:

- (1) Direct Debt excludes revenue bonds reported in the Enterprise Funds and Redevelopment Agency Central Core Tax Allocation Bonds.
- (2) Overlapping debt excludes tax and revenue anticipation notes, revenue bonds, mortgage revenue bonds tax allocation bonds and non-bonded capital lease obligations.

Sources:

California Municipal Statistics, Inc.
City of Sunnyvale

CITY OF SUNNYVALE**Revenue Bond Coverage
Utilities Revenue Bonds
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Gross Revenues		Operating Expenses (1)		Net Revenue Available for Debt Service	Debt Service Requirements	
						Principal	Interest
1994-95	\$	56,535,356	\$	49,520,018	\$ 7,015,338	\$ 985,000	\$ 2,739,258
1995-96		60,123,878		51,973,230	8,150,648	1,020,000	2,692,115
1996-97		61,729,325		52,000,166	9,729,159	1,065,000	2,670,403
1997-98	(2)	73,147,365		62,280,271	10,867,094	1,115,000	2,584,940
1998-99		73,991,424		64,090,529	9,900,895	1,175,000	2,525,187
1999-00		81,842,111		69,929,344	11,912,767	1,235,000	2,460,758
2000-01		84,988,282		70,569,839	14,418,443	1,300,000	2,391,680
2001-02		78,720,094		68,246,693	10,473,401	1,375,000	2,162,858
2002-03		81,112,608		67,920,620	13,191,988	1,895,000	2,152,194
2003-04		80,506,242		69,515,514	10,990,728	2,215,000	2,340,844

Notes: (1) Excludes depreciation.

(2) Beginning in fiscal year 1997-98, the Governmental Accounting Standards Board required reporting change in fair value of investments as a element of investment income.

Source: City of Sunnyvale

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	<u>Total</u>	<u>Coverage</u>
\$	3,724,258	1.9
	3,712,115	2.2
	3,735,403	2.6
	3,699,940	2.9
	3,700,187	2.7
	3,695,758	3.2
	3,691,680	3.9
	3,537,858	3.0
	4,047,194	3.3
	4,555,844	2.4

CITY OF SUNNYVALE***Schedule of Insurance in Force
Year Ended June 30, 2004
Unaudited***

Name of Company	Policy Number	Policy Period		Types of Insurance and Details of Coverage
		From	to	
California Joint Powers Risk Management Authority, et al	Various	07/01/2003	07/01/2004	Buildings, equipment, stock, improvements and betterments, business interruption, extra expense and rental values
Hartford Fire Insurance Company	57PEBHD2876	07/01/2003	07/01/2006	Comprehensive crime coverage for theft or forgery
California Joint Powers Risk Management Authority, et al	FBP4909988	07/01/2003	07/01/2004	Boiler and machinery explosion or destruction
Hartford	Various	07/01/2003	07/01/2004	Public official schedule bond
Discover Property and Casualty Insurance Co	D003X00006	07/01/2001	07/01/2004	Excess workers' compensation
California Joint Powers Risk Management Authority	Not Applicable	07/01/2003	07/01/2004	Excess commercial general and automobile liability

Source: City of Sunnyvale, Department of Human Resource

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Liability Limits	Deductible	Annual Premiums
\$200,000,000 per occurrence	\$25,000	\$137,221
\$10,000 to \$500,000	\$1,000 to \$5,000	\$11,165
\$200,000 to \$15,000,000	\$1,000 to \$5,000	\$18,889
\$250,000 to \$1,000,000	None	\$11,425
\$275,000 to \$1,000,000	\$275,000	\$160,000
\$24,500,000	\$500,000	\$705,064

CITY OF SUNNYVALE

**Construction and Bank Deposits
Last Ten Fiscal Years
Unaudited**

<u>Fiscal Year</u>	<u>Construction Permits (1)</u>		<u>Bank Deposits (2)</u>
	<u>Number Issued</u>	<u>Value</u>	
1994-95	4,257	\$ 130,281,008	\$ 3,214,617,000
1995-96	4,607	130,313,793	3,335,924,000
1996-97	4,310	23,991,360	3,602,404,000
1997-98	4,573	216,512,481	4,104,517,000
1998-99	4,862	268,601,577	4,159,155,000
1999-00	4,822	319,899,043	4,482,703,000
2000-01	4,502	518,800,635	5,057,984,000
2001-02	3,968	282,942,262	5,503,823,000
2002-03	3,926	152,149,181	5,707,127,000
2003-04	4,600	187,507,437	6,166,469,000

Sources: (1) City of Sunnyvale Community Development Department
(2) The Findley Reports

CITY OF SUNNYVALE

**Demographic Statistics
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Population	Per Capita Personal Income (1)	School Enrollment	Unemployment Rate	Civilian Labor Force
1994-95	125,959	29,029	12,552	4.40%	73,300
1995-96	126,113	31,479	N/A	3.10%	75,706
1996-97	126,764	33,371	21,848	2.70%	79,661
1997-98	131,127	36,286	22,545	2.70%	81,320
1998-99	132,940	38,697	30,133	2.80%	81,275
1999-00	133,215	43,193	30,453	1.90%	85,685
2000-01	132,187	53,408	30,285	3.80%	85,801
2001-02	132,825	48,981	13,329	7.50%	80,392
2002-03	132,500	45,925	15,365	7.50%	76,135
2003-04	131,709	N/A	14,338	5.40%	74,289

Note: (1) For San Jose-Sunnyvale-Santa Clara, CA (Metropolitan Statistical Areas)

Sources: State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
Cupertino Union School District, Fremont Union High School District, Santa Clara Unified
School District and Sunnyvale School District
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF SUNNYVALE

**Miscellaneous Statistical Data
Year Ended June 30, 2004
Unaudited**

Date of Incorporation	December 24, 1912	Police and Fire Protection	
		Number of Sworn Employees	234
Date of Charter Adoption		Number of Fire Stations	6
First Charter Adopted	May 18, 1949	Number of Vehicular Patrol Units	52
Present Charter Adopted	November 5, 1991	Number of Jail Facilities	1 (with 6 cells)
Form of Government	Council-Manager	Water Utility:	
		Number of Users	27,229
Land Area (Square Miles)	31	Annual Consumption per Acre	2
		Miles of Distribution Lines	282
Population	131,709	Storage Capacity in Gallons	27,500,000
Elections:		Sewer Utility:	
Date of Last General Election	November 4, 2003	Number of Sewer Connections	27,375
Number of Registered Voters	57,838	Plant Capacity in Gallons per Day	29,500,000
Number of Votes Cast	15,455	Miles of Sanitary Sewer Mains	283
Recreation:		Streets and Lights	
City Parks	21	Miles of Streets	300
City Park Acreage	167	Miles of Storm Drains	327
Regional Park	1	Number of Street Lights	8,904
Golf Courses : 18-Hole	1	Number of Intersections with Traffic Signals	129
9-Hole Course	1		
Swimming Pools	6	Employees:	
Tennis Courts	39	Full Time, Excluding Police and Fire	652
Community Center	1	Other (Part Time, Including Summer Help)	346
Senior Center	1		
Skate Park	1	Public Education:	
Neighborhood Center	1	Number of Elementary Schools	13
		Number of Middle Schools	4
		Number of High Schools	2

Sources: City of Sunnyvale
Santa Clara County Registrar of Voters

For questions regarding this publication or to request additional copies, contact:

City of Sunnyvale
Department of Finance
650 West Olive Avenue
P.O. Box 3707
Sunnyvale, CA 94088-3707
Phone (408) 730-7380
Fax (408) 737-4950
www.ci.sunnyvale.ca.us